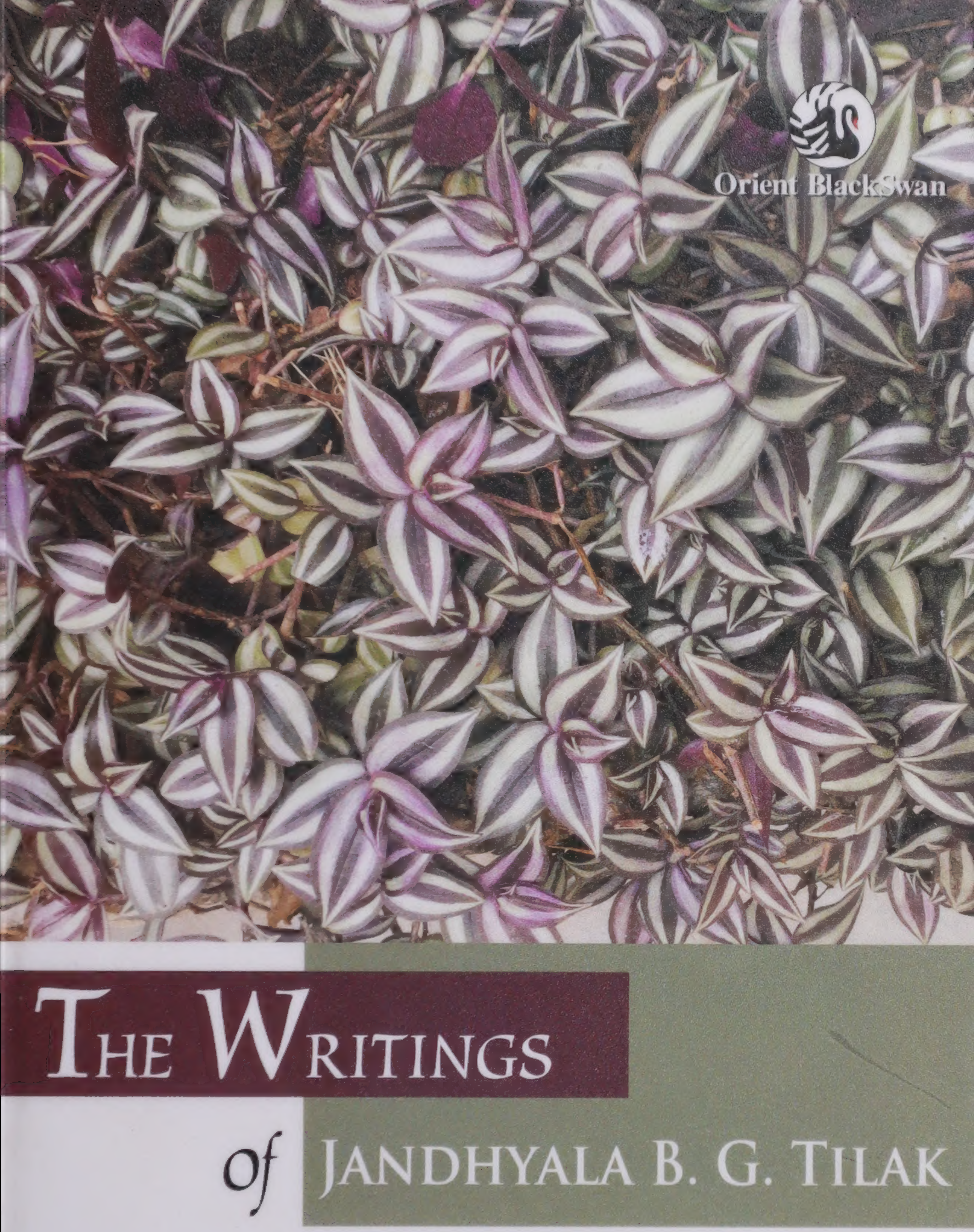

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Dilemmas in Reforming Higher Education in India

With a Foreword by Yogesh Atal

Why is public higher education important? How can a country as economically and socially diverse as India ensure the growth and prosperity of its population through a robust public higher education system? *Dilemmas in Reforming Higher Education in India,* which includes a short selection of writings of Jandhyala B. G. Tilak, brings together scholarly, critical articles written over a period of about a quarter century—a period marked by revolutionary changes in the history of higher education around the world—and discusses how higher education, a valuable and special public good, can counter the many tensions between tradition and modernity.

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Continued on back flap

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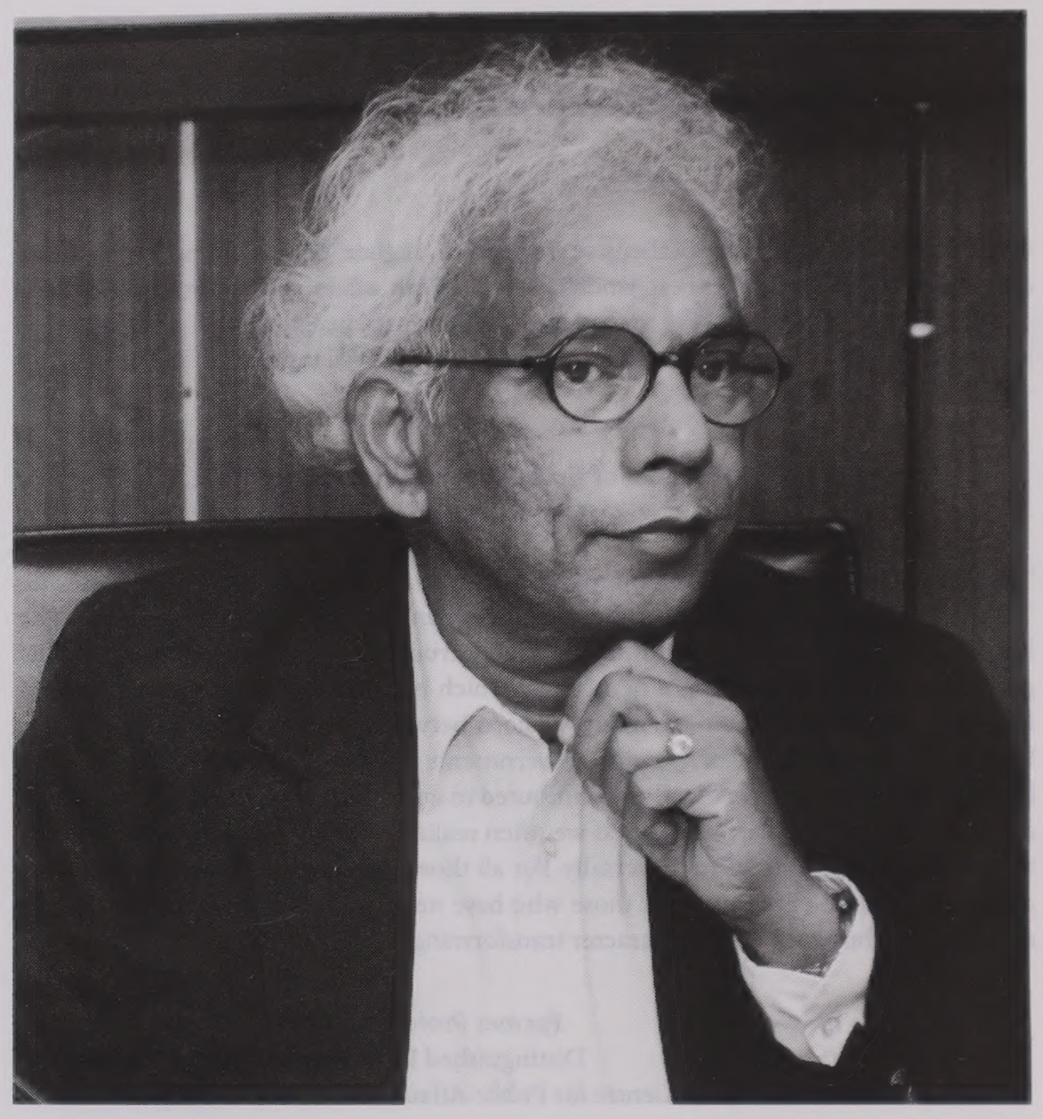

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With a Foreword by
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ABBREVIATIONS

ARWU	Academic Ranking of World Universities
AICTE	All India Council for Technical Education
AIIMS	All India Institute of Medical Sciences
ARTEP	Asian Regional Team for Employment Promotion
ASSOCHAM	Associated Chamber of Commerce and Industry of India
AIU	Association of Indian Universities
BITS	Birla Institute of Technological Sciences
CABE	Central Advisory Board of Education
CAG	Comptroller and Auditor General
CII	Confederation of Indian Industry
CSIR	Council for Scientific and Industrial research
DST	Department of Science and Technology
DPEP	District Primary Education Programme
SDP	State Domestic Product
EPWRF	*Economic and Political Weekly* Research Foundation
FIEO	Federation of Indian Export Organisations
GATS	General Agreement on Trade in Services
GUNI	Global University Network for Innovation
GER	Gross Enrolment Ratio
GNP	Gross National Product
HEA	Higher Education Attainment

IBA	Indian Banks' Association
ICSSR	Indian Council of Social Science Research
ICT	Information and Communications Technology
IIIT	Indian Institute of Information Technology
IISc	Indian Institute of Science
IISER	Indian Institute of Science, Education and Research
IIT	Indian Institute of Technology
IIM	Indian Institute of Management
IT	Information Technology
IAMR	Institute of Applied Manpower Research
IBRD	International Bank for Reconstruction and Development
IIEP	International Institute for Educational Planning
ILO	International Labour Organisation
IMF	International Monetary Fund
JNU	Jawaharlal Nehru University
MBA	Masters in Business Administration
MCI	Medical Council of India
MHRD	Ministry of Human Resource Development
NAAC	National Assessment and Accreditation Council
NCTE	National Council for Teacher Education
NIEPA	National Institute of Educational Planning and Administration
NIT	National Institute of Technology
NKC	National Knowledge Commission
NSS	National Sample Survey
NSSO	National Sample Survey Office
OECD	Organisation for Economic Cooperation and Development
OBC	Other Backward Classes
PROPHE	Program for Research on Private Higher Education
QS	Quacquarelli Symonds
RUSA	*Rashtriya Uchchatar Shiksha Abhiyan*
R&D	Research and Development
RBI	Reserve Bank of India
SC	Scheduled Castes
ST	Scheduled Tribes

SBI	State Bank of India
TISS	Tata Institute of Social Sciences
THE	*Times Higher Education*
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations International Children's Emergency Fund
UGC	University Grants Commission
USNWR	US News and World Report
WTO	World Trade Organisation

FOREWORD

It is a pleasure to write this piece for the collection of essays on the economic and other related aspects of education written by India's most noted scholar, Professor Jandhyala B. G. Tilak, until recently, Vice-Chancellor of the National University for Educational Planning and Administration [NUEPA], and currently Distinguished Professor at the Council for Social Development. The field of Economics of Education is relatively new, and Professor Tilak is one of the pioneers who has made his mark internationally in this field. Over the years, I have gained some understanding of this dimension of education through his writings and presentations.

When I joined UNESCO in 1974 as its Regional Adviser for Social and Human Sciences in Asia and the Pacific, Education was a distinct sector with a virtually negligible interface with the social sciences. At that time, the world community was mainly concerned with the huge literacy deficit. The former colonies of the West—located in the so-called Third World of Africa, Asia and the Pacific, and Latin America—took to the development path already created by their erstwhile colonisers. Treating the coloniser countries as positive reference groups, the entire exercise was designed to catch up with the Joneses. Removal of illiteracy, promotion of urbanisation, and emphasis on industrial growth with the introduction of modern technology, and promotion of people's participation in a democratic polity became the goals of all those new nations that followed a 'capitalist path'. Those who followed the 'socialist path' gave greater importance to the State, undermining democracy and advocating social equality. In both these models, however, heavy emphasis was laid on education. Since illiteracy was widely rampant, the developing societies focused on its removal, undermining higher levels of learning.

The key concern was to abolish illiteracy as the percentage of illiterates throughout the world was enormous. The developing societies, with their limited resources, agreed to invest all their money allocated for education to literacy and to primary education. Adult education was just another name for promoting the writing and reading abilities of adult men and women who were part of the workforce. However, the reluctant learners did not go beyond learning to write and sign their names, and reading bold letters. Such people became 'literates' but not learners; education was in name only. On the other hand, young children—particularly from rural areas—did not exhibit any motivation to learn. To attract the clientele, buildings were constructed for schools, facilities provided for mid-day meals, and even reading and writing materials came in the form of donations. The key concern of people engaged in such developmental activities was to promote literacy. As a consequence, education above the primary level was given low priority. A very small percentage of the country's budget was allocated for the total arena of education, most of which went to adult literacy and preschool education.

The developed countries opted for this model with a hidden agenda in mind. It gave them the opportunity to provide trained expertise to developing countries to keep them under their spell, and thus continue with the dependence syndrome of the colonial era.

In this enthusiasm, what was lost was the point that if children passed out of primary education, they would seek avenues for middle-level education; and pretty soon, they would be knocking on the doors of higher education. It is in such a scenario that indigenous scholars hinted at the relative neglect of higher education. The most vocal amongst such critics were the African intellectuals, who noticed the ill-intentions of the developed countries that continued to enslave the elite of the developing countries.

The Meeting of The African Ministers of Education, held in Ethiopia prior to the World Summit for Social Development 1995, criticised the neglect of the system of higher education, while relying solely on outside expertise.

> It is an erroneous policy stance that ignores many realities; for example, such policy fails to acknowledge the important role of university education that is closely linked to development, and prepares and supports people in positions of responsibility in governments, business and the professions. It also underestimates the key role of the universities as centres of development-related research in fields ranging from economics to environment, and natural resources to nationality issues; and minimizes the importance of the link between indigenous knowledge, human resources, and the indigenization of the development process. Without acquiring the scientific and technological knowledge that is so crucial for the acceleration and sustainability of growth and development, Africa will have no future to speak of, and the role of Africa's higher learning institutions in this regard is crucial.

It is significant to note that the African policymakers launched such determined attacks at a time when money, men, and materials needed for fast development were locally not available in most of the Third World countries. Developing societies depended heavily on developed societies. Such dependence, particularly in terms of manpower, was maintained in order to influence development thinking as part of the dependence syndrome.

In countries such as India, which had a long tradition of indigenous learning and an advanced indigenous civilisation, there began an early movement for indigenisation and replacement of foreign aid—money, machines, and manpower. It is in such a milieu that some scholars, particularly the economists, began exploring the new terrain of the Economics of Education. Professor Tilak joined this movement and focused all his research on this and related dimensions of education.

The point I wish to make is that in today's context, priorities in the field of education have changed from what they were in the late 1940s, when countries of the so-called Third World gained their independence from their colonial masters. Over these years, the education and literacy profile has also changed considerably. India's literacy in 1947 was as low as 16 per cent; today, it stands at 74.04 per cent. Kerala is the most literate state in India, with 93.91 per cent literacy. Bihar is the least literate state, with a literacy rate of 63.82 per cent. Obviously, the strategies adopted in the 1950s are no longer valid. While we are still at a distance from achieving the total literacy goal, the progress made in the post-World War II era is remarkable. Even the state with the lowest literacy rate in India has a much higher literacy ratio compared to the year 1947, when India gained its dependence. Literacy deficit may be a good sloganeering device even today, but the rising levels of literacy amongst all sections of Indian society call for a shift in emphasis. Today the providers of higher education and those of the lower levels of education are variegated. Private institutions are burgeoning and attracting a larger clientele than the government-run institutions lodged in decrepit buildings, with poor libraries, ugly seminar halls and absent faculty.

Credit goes to scholars such as Professor Tilak, who noticed the trend and initiated their research work some four decades ago to focus on the new field of economics of education. Educationists at that time were working on 'learning models' and pedagogy. The input-output model was beyond their apprehension. The concern for the rising demand for higher levels of learning—middle school upwards—was almost negligible.

In today's world, it is just not enough to eradicate illiteracy. That is a laudable goal, but limited only to a target population of 20 per cent. Education has to be equally concerned about those who are now classed in the category of literate, and constitute 80 per cent of the world's population. On the one hand, societies will have to halt the entry of people into the category of adult illiterates by ensuring total enrolment among the school-going population; on the other hand, they will have to meet the demands of the literate populace for more and higher education. And this education has to be relevant, socially productive, and enabling future employment. The Silicon Valley in the USA, known for its research in IT, depends heavily on Indian graduates. They first entered the valley as cheap 'IT coolies' to feed the data and operate the new tools; then they opened competing institutions back home for commissioned work, rather than leaving for the USA; and now, Indian scientists are helming big organisations like Microsoft and Oracle. A large number of students graduating from institutions set up in India—both governmental and private—provide the much-needed manpower internationally, and have given shape to the Indian prime minister's dream project, 'Make in India'.

Education today has assumed a broader meaning. It has become an ever-growing enterprise, not because of rising enrolment ratios, but because of the new demands being made on it by the previously educated, who wish to re-enter the system to learn new skills. There is also a demand for the continuous updating of skills and information. Education has moved from the classes to the masses, involving students who come from differing socio-cultural backgrounds. The school system has at once to deal with the twin problems of a fast-growing student population and exploding knowledge frontiers. Educationists must think of the future of education and of education for the future.

We have a more variegated agenda for education as we move further into the twenty-first century: to attend to the unfinished tasks of the eradication of illiteracy and universalisation of primary education; to respond to the new demands being made on the education system in individual countries and worldwide for secondary and higher education, vocational education, and for research, not only in science and technology, but also in the social sciences; and to anticipate future demands and prepare our educational structures to adequately meet them. In this new agenda, we need expertise in the area of Economics of Education.

The publication of this compendium of essays written over a long period and published in professional journals is a welcome initiative. This will help readers to find in one place some of the most significant contributions made by Professor Tilak.

Yogesh Atal
Former Principal Director of
Social and Human Sciences, UNESCO

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PREFACE

After several years of deliberate neglect of higher education, India has realised only recently how crucial higher education is for the social and economic transformation of the nation. Now it intends to reform it in a big way, to widen access, improve equity, raise standards and excellence, and promote diversity in higher education. However, severely constrained by poverty, a high degree of socio-economic and educational inequalities, an exploding demand for higher education and a fragile resource base, on the one side, and unusual domestic and international pressures emanating from globalisation, international competition, marketisation, and a high degree of outward mobility of graduates on the other, India faces daunting dilemmas. Among many, globalisation has added new dimensions to the problems, necessitating the higher education system to be responsive, *inter alia*, to national as well as global changing circumstances, and to state and society on the one hand and markets on the other, simultaneously.

Dilemmas also revolve around choices between several alternative methods of financing higher education. A system that has been predominantly funded by the state for centuries faces the task of generating resources from several non-conventional, non-state sources. The role of the state, not only in funding higher education but also in the overall development of higher education, is being questioned, as the private sector tends towards an alarming rate of growth. Debates on whether higher education is a public good or not are also gaining momentum. Above all, and rather fundamentally, the higher education system has to address the issue of the elusive triangle of quantity, equity and quality, and ensure a delicate balance between these three goals. The classic quandaries between expansion versus quality, excellence versus equity, State versus markets, public versus private financing, and national versus global concerns continue to be tough. In fact, educational policymakers face increasing dilemmas with a rapidly changing socioeconomic, political and technological environment at national and global levels. This book—a collection of fifteen of my critical articles, written over a period of about a quarter century—a period marked by revolutionary changes in the history of higher education around the world—addresses some of these important formidable dilemmas that India and many other nations confront in the twenty-first century.

Most of the chapters included in the book were presented in their earlier forms at seminars, conferences and special lecture series, and were also used for lectures in the classrooms. I immensely benefited from the reactions, comments, questions and suggestions made by experts as well as young scholars and students in strengthening my empirical analysis and sharpening the arguments. I will not be able to list all of them, but would like to express how fortunate I have been to have insightful comments from my teacher in Andhra University, B. Sarveswara Rao, Malcolm Adiseshiah, V. N. Kothari, P. R. Brahmananda, V. N. Pandit, George Psacharopulos, P. R. Panchamukhi, Yogender K. Alagh, Tapas Majumdar, K. L. Krishna, A. Vaidyanathan, K. R. Shah, Philip G. Altbach, J. Veera Raghavan, N. V. Varghese, Kenneth King, A. Mathew, and Martin Carnoy, who read and commented on the initial drafts of quite a few papers. I would also express my deep sense of gratitude to Yogesh Atal for kindly providing a Foreword to the book, and Walter McMahon, Dipankar Gupta, N. Jayaram and Martin Carnoy for their generous words of appreciation of my work, which have been included on the back cover of the book.

Fourteen of the fifteen articles have appeared earlier in journals and books. I am grateful to the respective editors/publishers for initially publishing them, and now for kindly granting permission in *gratis* to reprint/reuse them in this collection. The book has taken its present form with the contributions of many scholars and friends. The idea of bringing out a collection of this kind came first with a proposal offered by Orient BlackSwan, which has been publishing a series of 'collected works of eminent authors'. I am grateful to Nilanjan Chakravorty and Moutushi Mukherjee for the offer, and for processing the manuscript and the formalities in the initial stages, and Aparna Ravulavaru and Proteeti Banerjee for taking the work to the logical end and bringing it out in its present attractive form. The copy editor, Insiya Poonawala, made significant stylistic improvements in the text.

My wife Punya has been not only extremely patient with me, but also immensely supportive of my long engagement with research. As young boys and now as adults, my sons Kunj and Viswanath joined their mother in being very understanding. My brothers Dr Suman and Nageswara Rao continue to share a disproportionate share of my responsibilities at home.

New Delhi **Jandhyala B. G. Tilak**
February 2018

INTRODUCTION

Dilemmas in Reforming Higher Education in India

It is widely recognised that higher education is essential for the social and economic transformation of a nation. Substantial research has shown that higher education is the key to individual prosperity, economic security, social progress and the enduring strength of democracy. Wide access, equity and diversity in higher education are regarded as essential if higher education is to effectively contribute to the development of societies in economic, social, political, cultural and technological spheres—both at national and global levels. Besides producing a huge set of externalities, as a public (or at least as a *quasi*-public) good, higher education is considered one of the most important instruments to break poverty-related constraints and other structural issues of deprivation and inequality by offering fast upward mobility on the occupational, economic and social ladder to everyone in society. The overall gains, or even narrowly defined economic pay-offs from equitable education, are generally found to outweigh the losses in efficiency, if any.

Higher education in India has expanded very fast during the post-Independence period—from an extremely small base consisting of 32 universities, 700 colleges and 0.4 million students at the inception of planning in the country in 1950–51 to 864 universities, 40,000 colleges, 11,669 'stand-alone' institutions and about 36 million students in 2016–17 (Government of India 2017). There are also more than 1.4 million teachers in the system. In terms of the current size, the higher education system in India is the second largest in the world, next only to China. The United States' system now ranks after India. These numbers have led some to observe that our higher education system is about to enter the phase of 'massification' or mass higher education, though the gross enrolment ratio (GER) is only 23 per cent, and it is generally felt that only if the ratio crosses 40 per cent can a country can be regarded as moving into the phase of massification.

The phenomenal expansion of higher education during the post-Independence period has contributed a lot to many spheres of the socio-economic development of the country. First, with the massive expansion of higher education, the country has been able to achieve self-reliance in manpower needs in the sense that no sector of the economy—whether it is the manufacturing sector, service sector, public administration, governance, including policy formulation, planning, defence, science and technology, or a high technology-intensive sector—critically depends upon foreign or expatriate manpower. The country can even boast of exporting manpower and making substantial earnings in terms of foreign exchange remittances from Indian graduates settled abroad. For example, it is proudly stated that the Silicon Valley in the US critically depends upon the information technology (IT) manpower produced by the higher education system in India. 'Brain drain' is no longer a matter of concern; instead, such export of manpower is now viewed as 'brain gain' or 'brain bank'. Second, with such an expansion, the higher education system itself has been democratised, achieving a fair degree of gender parity—47 per cent of those enrolled in higher education in 2016–17 were women. The gross enrolment ratio among women was 24.5 per cent, which was only marginally less than that for men (26 per cent), showing remarkable progress in gender equity. Higher education in India also made good progress in social equity with about one-fourth to one-third of the students coming from the socially backward strata of society—the Scheduled Castes and Scheduled Tribes. If the Other Backward Classes were to be included, the proportion would be higher. Not only in higher education as a whole, but even in professional education, the participation of the backward strata is improving. In Tamil Nadu, 30 per cent of the new engineering students in 2014 were first-generation learners (Jain and Ramyal 2014).Third, in terms of quality and excellence, a few institutions, such as the Indian Institutes of Technology (IIT), Indian Institute of Science (IISc), some of the central and state universities as well as centres of advanced studies, could stand as exceptional ones in the country and some are recognised all over the world. Fourth, higher education has played a significant part in the socio-economic development of India, including economic growth, reduction in poverty, improvement in inequalities and human development. It has contributed towards transforming an agrarian economy into a knowledge economy based on the immense growth of the modern service sector, nationally and internationally. The contribution of higher education to strengthening democracy, amity among the diverse social, cultural, ethnic and economic sections of society, and political stability and maturity has also been quite important.

However, at the same time, it should be recognised that the higher education system suffers from severe inadequacies, if not failures. First, even though in terms of absolute numbers our higher education system is the second largest in the world, with a roughly 25 per cent gross enrolment ratio in 2016–17 (Government of India 2017), India still ranks poorly among the developing countries, not to speak of advanced countries like the US or Canada, where the ratio is over 70–80 per cent. It is argued that such a low enrolment ratio is not at all adequate to meet the growing socio-economic needs of the country, particularly when it comes to transforming the economy in a sustainable way into a knowledge society, sustaining high rates of economic growth and breaking away from the group of 'developing' economies. It is generally argued that a gross enrolment ratio of 30–40 per cent is the threshold level for a country to take-off to enter the stage of advancement in the march towards becoming a fast-growing economy. Second, in terms of the quality of higher education, it is widely felt that despite the few high-quality institutions, there are only pockets of excellence and Indian institutions hardly figure among the top 200 in any of the global rankings of universities. The system as a whole is characterised by mediocre quality and, moreover, the standards have been found to be rapidly deteriorating in recent years. A very small proportion of graduates is reported to be sufficiently skilled and knowledgeable for decent employment. Third, while there has been a somewhat impressive improvement in gender equity and, to a lesser extent, in access to higher education for the socially disadvantaged sections, regional—rural and urban, inter-state and intra-state—inequalities are still very high in higher education. For example, there are approximately only 58 colleges per one lakh people on average in Puducherry compared to seven in Bihar. In 2016–17, the gross enrolment ratio in higher education varied among the major states between from 47 per cent in Tamil Nadu (and Puducherry) and 56 per cent in Chandigarh to about 14 per cent in Bihar. According to the reports by the National Sample Survey Office (NSSO), the corresponding ratio at the all-India level in rural areas was 19 per cent in 2013–14 and 35 per cent in urban areas. Of all, inequalities between the rich and the poor in participation rates in higher education are found to be the highest. For example, among the poorest quintile of the population, the rate of participation in 2013–14 was barely 8 per cent, compared to 52 per cent among the richest expenditure quintile. Moreover, such inequalities, that is, inequalities between the rich and the poor in participation in higher education, are found to be increasing over the years (Tilak 2015; Tilak and Choudhury 2018).

Thus, the system of higher education is characterised by a few major strengths and a few equally, if not more, significant shortcomings. Recognising the need for expansion and overall improvement in higher education, the Government of India has set a target of 30 per cent gross enrolment ratio for higher education by 2030 and launched a massive expansion programme. A good number of new central universities and other institutions of higher education were set up during the Eleventh Five Year Plan of 2007–12. Second, in order to improve the quality of higher education, the 'India Excellence Initiative' was launched, which includes special support for research and quality and related aspects in higher education and, more specifically, to improve the employability of the youth in general and graduates in particular. The government has also launched a massive skill-development programme to improve the quality, productivity and thereby employability of our graduates. Third, to improve equitable access to higher education, inclusive growth in higher education has been reasserted as an important objective of educational development in the Eleventh and Twelfth Five Year Plans. To realise the three inter-related objectives—of improving access, quality and equity in higher education—the motto should be expansion of equitable access to quality higher education, not just expansion, not just be inclusive and not just excellence. An *integrated* and sustained approach is required to address the three *Es*—expansion, equity and excellence—in higher education simultaneously.

Realising that higher education is essential for the social and economic transformation of the nation, India, thus, like many other developing and advanced societies, intends to reform higher education in a big way to widen access, improve equity, raise standards and excellence and promote diversity in higher education. However, again like many other countries, India faces several kinds of dilemmas in reforming and rejuvenating its higher education system. Often, choices have to be made between expansion and excellence, and between equity and excellence, as the strategies that promote each might be mutually conflicting. For example, plans for the massive expansion of higher education are accompanied by limited budgetary allocations. Similarly, intentions to promote participation of the disadvantaged strata of society are accompanied by expansion of full-cost-recovering and profit-seeking private institutions, rather than subsidised public higher education. It is somehow presumed that private higher education institutions will improve equity, access and quality. The strategies adopted include a basket of measures, prominent among them being the promotion of the private sector, increased reliance on cost recovery measures such as student fees and student loans, and internationalisation of higher education.

Globalisation, along with liberalisation, marketisation and privatisation, has added new dimensions to the reforms, necessitating that the higher education system be responsive, *inter alia*, to the changing national as well as global concerns and challenges, and to the State and society on the one hand and markets on the other, simultaneously. Globalisation and internationalisation has also hastened the spread of new values and approaches into even those societies vehemently opposed to market-oriented views on education. The higher education system in India has not been able to withstand this strong global tide. Debates on whether higher education is a public good or not are also gaining momentum. The role of the State in higher education is under attack; public financing of higher education is discouraged and cost recovery mechanisms have been introduced, the most important among them being student fees and student loans, besides enabling the rapid growth of private education. Today, the major dilemmas revolve around three major areas: how to choose among the alternative methods of financing higher education, the role of the private sector *vis-à-vis* the State and the selection of appropriate modes of internationalisation. A system that has been predominantly funded by the State for centuries faces the task of generating resources from several non-conventional, non-State sources. The role of the State in not only funding higher education, but also in the overall development of higher education is being questioned, as the private sector tends to grow at an alarming rate. How do we internationalise the higher education system while protecting and promoting national values and concerns at the same time? Above all, at a fundamental level, the higher education system has to address the issue of the elusive triangle of quantity, equity and quality, and ensure a delicate balance between these three dimensions. In fact, such quandaries are many. The many such educational dilemmas are not only educational in nature, but are also social, economic and political.

This book is a collection of a few scholarly, critical articles written over a period of about a quarter century—a period marked by revolutionary changes in the history of higher education around the world. It addresses some of these important and daunting challenges that India and many other nations confront in the twenty-first century. Given the nature of the issues covered, some overlap is unavoidable. I do not intend to provide in the following paragraphs a detailed discussion of the papers selected for the collection. Instead, in this introductory chapter, I will try to alert readers to the larger, evolving context in which the specific policy perspectives on a few selected issues need to be understood.

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This book opens with a detailed description of the growth of higher education in India from the ancient period to the twenty-first century. The British established the first modern universities in India in 1857. The numbers grew over the years, but the basic model remained more or less unchanged. The broad canvas presented in Chapter 2, in discussing the 'continuing crisis' that our higher education system faces, provides the necessary backdrop for a critical discussion of issues in subsequent chapters. While the growth from the ancient period to the mid-twentieth century was characterised by different kinds of developments, the nature of change that has taken place during the last three decades has been remarkably different; the implications for every dimension of higher education are described in Chapter 2. The period witnessed tendencies of transition of higher education from being a public good to being treated as a private good. Conventionally, higher education was regarded as a public good, producing a huge set of externalities, benefiting not only individuals but also society as a whole. Higher education institutions were recognised as important social institutions, performing vital social functions that were widely acknowledged as noble and critical for the very sustenance of societies, besides creating and disseminating knowledge. But of late, the chronic shortage of public funds for higher education, widespread introduction of neo-liberal economic policies, globalisation in every country and in every sector and the heralding of the international law on trade in services by the World Trade Organisation (WTO) and General Agreement on Trade in Services (GATS) have all tended to question the long-cherished and well-established view of higher education as a public good, and to propose and legitimise the sale and purchase of higher education as a commodity meant for trade. All this has led to the emergence of a new development paradigm, which has also contributed to the rapid privatisation of education. In short, a significant shift in the public approach to education can be noted in India—the public good character of education is being forgotten and the profit-seeking private sector is gaining strength. All this has serious implications for public policy, most notably on the role of the State *vis-à-vis* the private sector, inequalities and public financing of higher education.

An important effect of the growth of private higher education will be felt, *inter alia*, on the inclusive aspect of higher education. How inclusive is higher education in India and what are the trends? Inclusive higher education has been an important objective of several policy initiatives. Yet the higher education system is plagued with the problem of inequalities based on gender, social groups, caste and religion, region (rural and urban) and economic status. Further inequalities in participation also get reflected in inequalities in the completion and transition rates and, finally, in educational attainment, which further causes inequalities in the labour market and society at large. An analysis of the trends in inequalities in higher education, attempted in Chapter 3, suggests that compared to other factors, inequalities based on the economic characteristics of households are very high and growing. They require serious attention.

After an initial impetus given to higher education immediately after Independence, it was neglected for a long period in India. One of the important reasons for public apathy was the general presumption that secondary and higher education were not necessary for economic growth, reduction in poverty and inequalities, and for overall social development. Rather, it was argued that literacy and primary education were more important, specifically in an agrarian, developing economy. But, as shown in Chapter 4, the presumption of the weak or negligible role of secondary and higher education in development is not valid. Secondary and higher education are important in reducing poverty, for improving infant mortality and life expectancy, and for economic growth and human development.

Even while the importance of higher education was being realised, the approach to financing it underwent a significant change. In fact, financing of higher education has been an area that has been significantly influenced by the new paradigm of development. Financing of higher education is a complicated problem in India due to theoretical and practical concerns. It has largely been a State-funded activity, with about three-quarters of the total expenditure being borne by the government. The share of funds from non-governmental sources, such as fees and voluntary contributions, used to be small and has been declining. This is true in the case of not only general higher education, but also technical education. Though the overall priority given to technical education has not been high in the total education budget, the flow of funds was smooth and somewhat steady until the beginning of the 1990s. The trends in government expenditure began to slowly change. The higher education sector as a whole, and specifically technical education, began suffering severe cuts in public allocations since the middle of the 1990s.

On the whole, the needs of the higher education system have been growing rapidly. However, it is increasingly argued that public budgets cannot adequately fund higher education, particularly when sectors of mass education are starved of even the bare needs. Hence the need for experimentation with alternatives, including student fees, loans, special or earmarked taxes and privatisation in general. But since each source or method has its own strengths and weaknesses, the choice has to be judicious. One of the most important developments that has severely impacted higher education policies has been the introduction of structural adjustment policies, widely known as neo-liberal policies. The adjustment policies that accompanied the structural adjustment loans taken from the International Monetary Fund (IMF) and World Bank in the early 1990s resulted in severe budget cuts or significant reduction in the rates of growth in budget expenditure on higher education and, more importantly, major shifts in policies relating to State financing of higher education in undesirable directions. Such policies have serious long-term implications, as they tend to be irreversible. But, as observed in Chapter 6, since the success of adjustment policies requires highly skilled manpower, it is necessary to safeguard the whole education system, including higher education, from the adverse effects of adjustment policies.

As public financing is not found to be adequately elastic to growing needs, several committees constituted by the government have put forward proposals on mobilising additional resources from non-State sources. As described in a few chapters, the reports of a committee constituted by the All India Council for Technical Education (AICTE), 1994, and that of the University Grants Commission (UGC), 1993, have had significant effects on the methods of financing higher education in the later years. One of the prominent proposals refers to student loans, a critical review of which is presented in Chapter 7.

In view of the continuing and rather deepening financial crisis in higher education in many developing countries, governments are looking upon student loan programmes as a panacea for all the ills of the system, specifically for the problem of inadequate public finances. Student loans are also viewed as effective antidotes to the regressive effects of what can, at best, be regarded as a 'necessary evil' of steep increases in student fees. Countries which do not have student loan programmes have begun introducing them; countries that already have it have started revitalising them by making modest to drastic changes. As a result, there are few countries today where such a programme is not in operation. One may draw important lessons from India's experience—and those of other countries—in this regard while making reforms in the loan programmes.

For a long period, India had a student loan programme called the National Loan Scholarship Scheme. But this, like in many other countries, was associated with low recovery rates and hence virtually abandoned in the late 1980s before it was revived and restructured in the mid-1990s by entrusting the responsibility of the loans to commercial banks. But one has to note the relative strengths and weaknesses of the present scheme of educational loans as a method of financing of higher education, in contrast to the earlier scheme. Though there are certain inherent weaknesses and practical problems associated with the student loan programme, the government has high expectations and views it as a potential and an efficient mechanism of cost recovery from students, as an effective solution to the problem of funding higher education and as a meaningful approach to reduce public subsidies to higher education. Accordingly, several marginal modifications are being undertaken to make the programme more effective.

In short, faced with a continuing financial crisis for a long time on the one hand, and a global wave of change in favour of market philosophy on the other, a series of waves of changes is taking place in the field of financing of education in developing countries for the past three decades. In the current phase, the role of the State in financing education is being condensed and attempts are being made to mould the system in favour of a free-market philosophy. The changes (and attempts to change) have often produced several kinds of social, economic and cultural conflicts. By describing the changing patterns of financing—from traditional approaches to modern, Western methods, necessitating the shift from the welfare-state philosophy to a free-market approach—Chapter 9 highlights the conflicts and tensions between tradition and modernity. The free-market philosophy may be potentially dangerous to the fabric of society, affecting its socio-cultural foundation and weakening the students' bonds with the nation, society and even family.

An important dimension of the market approach to higher education is exhibited, apart from the methods of financing, in the phenomenon of private (and privatisation of) higher education. The 1990s have seen a major turn in the history of contemporary higher education in India in this regard. With the introduction of economic reforms policies, which are considered synonymous with privatisation, the phenomenon of the private sector in higher education has become the most dominant feature of the rapid growth of higher education in India. Today, the size of the private sector is about twice that of the public sector in terms of the number of institutions and student enrolments. This has several consequences, some of which are already being felt. Apart from refuting some of the claimed advantages of private higher education, by presenting a few important dimensions of private higher education in the form of a set of stylised facts in Chapter 11, I draw attention to the dangers involved in a high degree of dependence on the private sector for the development of higher education in a country like India. The trends in the growth of higher education and changes in public policies during the first decade of economic reforms, presented in Chapters 10 and 11, clearly show that they are somewhat similar to those in many of the developing countries that are in transition.

More importantly, these trends indicate how the policies laid an almost irrevocable path of privatisation of higher education in the country for the following decades.

Another important concern relates to the quality of higher education. Autonomy of higher educational institutions is considered critical for improving the quality. Autonomy has rightly been highly cherished by higher education systems around the world. Universities in India are autonomous, but most colleges—which account for 85–90 per cent of total enrolments in higher education, offering undergraduate, postgraduate and research programmes—are not autonomous; they are necessarily affiliated to one university or another. Absence of autonomy to a large chunk of the higher education system in the country is believed to be a drag on the quality and performance of the system as a whole. In this context, the 'autonomous colleges' scheme, introduced in higher education in India in the late 1960s, can be seen as an important innovation, which has implications for governance as well as quality in higher education. But this innovation has not attracted much attention and, as a result, the performance of the scheme has been rather dismal. Barely 1 per cent of the total number of colleges—fewer than 500—belongs to this category. A majority of them are private colleges. They are also concentrated in a few states in the country. In recent years, there has been a renewed emphasis on the strengthening of this scheme. A review of the growth in autonomous colleges, the problems the scheme faces and the apprehensions colleges have, attempted in Chapter 12, may help outline a few important issues for policy action.

On the way to reform higher education, India has, in recent years, initiated a series of judicial measures in the form of draft legislations, many of which are yet to be approved by Parliament. These bills focus on the entry of foreign educational institutions, prohibition of unfair practices, and setting up of educational tribunals, national accreditation regulatory authority, universities for research and innovation, and a national commission for higher education and research. A short critical commentary on the bills, provided in Chapter 13, highlights the fact that it is necessary to look at all these and other initiatives together, as they constitute a package of reforms meant for the transformation of the higher education system. At the same time, each bill has to be examined in detail, as, individually and collectively, these have serious long-term implications for the development of higher education in the country.

One of these bills refers to the setting up of world-class universities in the name of research and innovation universities. Every country is keen on developing world-class universities with a view that some of these institutions may figure in global rankings. Chapter 14 refers to the dilemmas that Indian policymakers face on global rankings and world-class universities. Both these issues exercise positive and not-so-positive influence on higher education systems. Though world ranking systems are found to have serious drawbacks, universities everywhere are trying hard to improve their status and global rankings. Countries like India face a dilemma in accepting world rankings, or, given their perceived irrelevance for the country, develop instead their own rankings systems. In this context, most countries are also keen on having or developing world-class universities of their own. At the same time, as I warn in this chapter, exclusive pursuit of, or obsession with, status and ranks can have disastrous implications for the development of universities. However, a positive aspect of this is the increasing concern of the educational policymakers and planners with improving the standards and quality in higher education institutions. Sustainable strategies for developing world-class universities, or simply universities of high quality and unparalleled excellence known by any other nomenclature, are yet to be found. Finally, Chapter 15 outlines a small set of key measures needed for the rejuvenation of public universities in the country.

Thus, the collection contemplates a few significant contemporary policy issues in higher education in India, critical scholarly research perspectives on some of which are rather scanty in the available literature. It is hoped that the collection will satisfy the demand for critical and insightful policy discourses on some of the most important issues as India moves towards the rejuvenation of its higher education system on a grand scale. Though the primary focus of the collection is on India, I am sure scholars as well as policymakers, planners and administrators in other countries too would find it equally valuable.

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HIGHER EDUCATION IN INDIA

*In Search of Equality, Quality and Quantity**

India has a rich and glorious tradition of higher education from ancient times. Nalanda, Takshashila, Vikramshila and Vallabhi were some of the important and well-known universities of ancient India, and they occupy a special place in the history of higher education in the country, which stretches over more than 2,000 years. These venerable institutions, some of which were the oldest ones in the world and had glorious records as centres of higher learning, attracted scholars from not only many regions of India, but also several parts of the world, particularly China and Central Asia. Their nature and ideals would make them 'first-generation' universities (Tilak 2010a) in contrast to the 'modern' universities we have today. The first three modern universities were established in British India in 1857 in Calcutta, Bombay and Madras. It was 30 years later that the fourth—the University of Allahabad—came up. Nearly 30 years then went by before the fifth and the sixth, the University of Mysore and the Banaras Hindu University, opened their doors.

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*Reprinted from *Higher Education in India: In Search of Equality, Quality and Quantity* (2003), ed. Jandhyala B. G. Tilak, Orient BlackSwan, New Delhi, 1–9.

The growth of university education in British India was exceedingly slow. By 1947–48, that is, 90 years after the first three universities had been set up, the number of universities had increased to barely 20, and they had less than 200,000 students. Apart from the slow pace, the spread of higher education during the colonial period was very uneven, geographically. More crucially, it supplanted the pre-colonial indigenous system with a new system, a new language, a new curricula and a new purpose. The needs and prejudices of the colonial power determined the basic structure, shape and ethos of the Indian higher educational system. The British Indian educational policy was clearly subservient to imperial economic policy, which treated the country as a source of raw materials and a market for British manufactured goods. This wrecked the indigenous educational system with its great chronological depth. Or, to use Dharampal's metaphor, 'the beautiful tree' was uprooted (Dharampal 1983).

The new universities were alien transplants and 'they could not be and were not intended to be true copies of the original', as Basu (1991: 31) observed. 'Neither London nor Oxford nor Cambridge could be replicated in Indian conditions. Indian universities could borrow the outward structure but seldom the inner spirit of the original system' of London University on which they were supposedly modelled (Basu 1991: 27). Unlike in Britain, the colonial government exercised strict control over the universities, allowing no autonomous growth. Undergraduate students were the bulk of enrolments in higher education, science and technology education was not given any attention, and the whole system was very elitist and severely restrictive.

A few national universities were founded by social leaders. Maharshi D. K. Karve established a women's university in Pune in 1916, which later developed into the SNDT Women's University; Mahatma Gandhi set up a few universities in 1920–22 with an altogether different focus (Gujarat Vidyapeeth, Kashi Vidyapeeth, Bihar Vidyapeeth, Tilak Maharashtra Vidyapeeth and Jamia Millia Islamia). A new model university, Visva-Bharati, which aimed at synthesising Asian and Western cultures, was established by Rabindranath Tagore in 1921. But these universities remained either isolated or gradually became run-of-the-mill.

After Independence, India started almost from scratch. It was realised that university education was essential for a cultural resurgence as well as for meeting the scientific, technical and other manpower requirements of the newly independent nation. The first significant step taken by the Government of India in the field of education was the appointment of the University Education Commission in 1948 under the chairmanship of Dr Sarvepalli Radhakrishnan (Ministry of Education 1950). Its mandate was 'to report on Indian university education and suggest improvements and extensions that may be desirable to suit present and future requirements of the country'. Apart from making recommendations on the governance of universities and the setting up of a University Grants Commission (UGC), the commission urged the development of a university system that would have high standards and produce citizens who could take up responsibilities and provide leadership in various spheres of national life.

Other commissions and committees that have had a major impact on the development of higher education include the Education (Kothari) Commission (1964–66), the National Commission on Teachers (1983), the UGC Committee on Mobilisation of Resources in Central Universities (1993), the AICTE Committee on Technical Education (1994), the Prime Minister's Council on Trade and Industry (2000), and the National Knowledge Commission (NKC) (1999). To this must be added the first National Policy on Education in 1968 and the second in 1986, the Discussion Paper on Government Subsidies in India (1997), the Supreme Court judgments in Mohini Jain *versus* Government of Karnataka (1992) and Unnikrishnan *versus* State of Andhra Pradesh (1993). International developments like the World Conference on Education for All at Jomtien (1990), the World Bank paper on higher education (1994) and the inclusion of education services under the General Agreement on Trade and Services (GATS) in 1995 have also had a notable impact on the nature and shape of higher education in India.

In six-and-a-half decades of Independence, the higher education system in India has grown remarkably in quantitative terms. It is also quite diverse and democratic. Second only to China in terms of enrolment (17 to 20 million), it is the largest in the world in terms of the number of institutions—634 universities and 33,000 colleges. It has 817,000 teachers on its rolls. In addition to 40 central universities (17 established during the first four years of the Eleventh Five Year Plan), there is a network of nearly 300 specialised science and technology institutions, including more than 200 laboratories. Besides, there are 1,914 polytechnics and a large number of industrial research and development laboratories in the private and public sectors. The growth in professional education from the time of Independence has perhaps been even more dramatic. From a base of zero, it has grown to 15 Indian Institutes of Technology (IITs), 13 Indian Institutes of Management (IIMs), 30 National Institutes of Technology (NITs), and 24 Indian Institutes of Information Technology (IIITs). There are 3,000 colleges of engineering, technology and architecture, 2,100 medical colleges, 3,400 teacher training colleges, and nearly 3,000 other professional and technical institutions in areas such as agriculture, law, management, computer applications and information technology (2009–10). Thus, in the case of both general and technical or professional education, a significant expansion has taken place in the post-Independence period, and higher education on the whole is fairly democratised. The expansion has also enabled the country to be self-reliant in its manpower needs and even to 'export' manpower to other countries. In the quantum of production of graduates, India trails behind only the US and China.

The massive expansion during the post-Independence period was unavoidable because access to higher education had been restricted to a select few in the pre-Independence period. Independence brought with it a huge rise in the social demand for higher education and the democratic government had to respond in a fitting manner. Second, the manpower needs of building a new socio-economic order were large and the skills required were varied. The government could not but expand the higher education system. Third, like in many other countries, India also expanded higher education to establish its own legitimacy. In fact, the expansion of higher education during this period served as an important tool of political legitimacy. Most countries including those in the developed parts of the world, expanded higher education during the post-World-War-II period, with increased spending on it after the 1960s' student unrest (Hughes 1994), as higher education serves the function of political legitimisation (Angus 1975; Lipset 1959; Meyer 1977). Further, in India, the policy of promoting equality of opportunity in higher education led to an expansion of the system horizontally. The process involved providing public subsidies for higher education in general and the higher education of the weaker sections in particular. With the State liberally funding higher education, the system's capacity expanded impressively until around the mid-1970s. In all, the first two-and-a-half decades of Independence were characterised by a rapid growth in public and State-supported educational institutions.

The situation changed after the mid-1970s with attempts to 'consolidate' higher education—there was 'rationalisation'; growth rates in enrolments began to fall; and public expenditure on higher education declined. Systemic economic problems such as inflation and wars were a strain on the exchequer and though the democratic government allowed higher education to expand, the pace slowed down. More and more institutions were created, but public expenditure did not increase proportionately. The result was a drastic fall in expenditure on education per student and decline in the quality of higher education.

In the mid-1980s, conditions changed again. The developments of the early 1990s brought about radical changes in attitudes and approaches towards higher education and this has had a serious impact on the growth in public higher education, which, in fact, came to a dead halt. New cost recovery measures were introduced and augmentation of private finances was encouraged. The economic reforms policies introduced in the 1990s created an environment conducive to the rapid growth of the private sector in higher education, even resulting in an oversupply in some areas. The Say's law of the markets, which says that supply creates its own demand, was seen in operation in higher education. This along with the pro-private approach, the introduction of a restructured scheme of student loans and the increased individual earnings of the middle and upper classes, caused a rapid growth in higher education. More importantly, even without any serious public debate, the concept of higher education as a public good began to be eclipsed in policy discourses by the notion of it as a private good.

While higher education expanded in the first four decades of Independence, enough priority was not accorded to school education—elementary or secondary—except in the First Five Year Plan (1952–56), which laid heavy emphasis on elementary education and also to some extent on secondary education. During this period, that is, after the First Five Year Plan, the expansion of higher education was impressive, not only in terms of more universities and colleges, but also in terms of specialised institutions such as the IITs and IIMs. The shift in priority in the Second Five Year Plan (1956–61) from agriculture to the manufacturing sector justified the shift in focus towards higher education to produce skilled manpower and the setting up of technical and professional institutes. The change in priority from school education to higher and higher technical education continued for quite some time though it was rightly criticised as a lopsided approach to education. When the bias against school education was recognised in the mid-1980s and the second National Policy on Education (1986) was formulated, an attempt was made to correct it by switching the priority to elementary education. This was also the time that the World Bank began emphatically arguing that developing countries like India, which aimed to reduce overall poverty, should not spend much on higher education, as higher education and poverty are seen as having no relationship at all. It was also widely held that the goals to do with elementary education could be achieved only if there was a cap on the growth of higher education. This marked the beginning of a long period of two-and-a-half decades of virtual neglect of higher education. Secondary and vocational education never received any serious attention.

In the following years, State attention to higher education waned, yet there was growth, essentially in the private sector. The neo-liberal policies of the 1990s greatly enabled this. Almost from zero in the late 1980s, the number of private universities in the country increased to 90 by 2011. In addition, a majority of the 129 institutions deemed to be universities, most of which have come up in the decade of the 1990s and the first decade of the twenty-first century, are private. However, the proliferation of private establishments has been so erratic and unplanned that they have produced different kinds of problems. The UGC has had to prepare new regulations for the deemed universities and the government has had to prepare a bill to check unfair practices in private institutions.

It is only recently, at the beginning of the Eleventh Five Year Plan (2007–12), that it was realised that the pendulum had swung too far away from higher education and that a nation aiming to build a knowledge economy (World Bank 2001) could ill-afford this. So the government launched a plan for massive expansion, which includes establishing 30 central universities, 14 world-class (or innovation) universities, 374 undergraduate college, seven IIMs, eight IITs, 20 IIITs, 10 NITs, five Indian Institutes of Science, Education and Research (IISERs), two Schools of Planning and Architecture, 1,000 colleges of engineering and technology, 700 polytechnics and 50 research centres to make India a 'higher education hub'. Most of this, according to the government, does not have to be supported by huge public spending; instead, the sector can rely on increased levels of private participation and on innovative models of public–private partnership.

The higher education system has now become very complex with a large variety of institutions—central universities, state universities, deemed universities, unitary and affiliating universities; national institutes of importance and research institutions; inter-university centres, undergraduate colleges and postgraduate colleges; conventional universities and open universities; public and private universities and colleges; general institutions of higher education, minority institutions, and universities and colleges exclusively meant for certain groups such as women. Some are highly specialised institutions and many are comprehensive in their coverage of areas of study. In terms of institutions, the system is very diverse and the diversity is reflected in the composition of enrolments and faculty as well.

The complexity of the system is made greater by the fact that education is a concurrent subject, according to the 42nd Amendment of the Constitution made in 1976, with the Union Government and state governments simultaneously having responsibilities for everything, including policymaking, planning, regulation, monitoring, financing and delivery. In the case of higher education, the roles of the Union and state governments sometimes clash with each other. Universities are in the state list of the Constitution, requiring the states to be involved in policymaking, planning, administration and overall development of higher education. At the same time, 'coordination and determination of standards in higher education' is a function of the Union Government. In fact, a vast area of higher education, including teaching, quality of education, curriculum, standards of examination and evaluation, and research activity does 'not come within the purview of the state legislature, on account of a specific entry on coordination and determination of standards in institutions for higher education or research and scientific and technical education being in the Union list' (Supreme Court judgment on *Prof. Yashpal versus the Government of Chhattisgarh*, 2004). Thus, a demarcation between the roles of the Union and state governments is very difficult and it is also subject to different interpretations. For example, the Union Government felt the need to enact legislation on the establishment of private universities. But when it could not, many state governments made their own laws taking advantage of the concurrency clause and established such universities, even after the Supreme Court judgment quoted above.

The governance of the higher education system involves a large number of public bodies under the Union and state governments, and also autonomous bodies. They include a variety of policymaking, regulatory, executive and advisory bodies. Besides the Union and the state governments and councils of higher education in a few states, the other bodies that play an important role in policymaking, regulation and development at the national level are the UGC, the All India Council for Technical Education (AICTE), the National Council for Teacher Education (NCTE), the National Assessment and Accreditation Council (NAAC), the Medical Council of India, the Dental Council of India, and the Bar Council of India. As many as 16 professional bodies have been established by the government to deal with accreditation and coordination in higher education. Yet, it is widely felt that the system of higher education is highly regulated and least governed. The several bodies also could not prevent the opening of 'fake' universities, 'parallel' colleges and teaching shops offering fake degrees and diplomas, or the recognised private institutions from running unaccredited degree programmes.

The system of higher education has grown exponentially in the post-Independence period, and it has contributed to socio-economic and political transformation of the country. However, both the problems associated with higher education and their intensity have multiplied. Access, equity and quality are the three major themes in higher education that continue to attract the attention of researchers and policymakers. Despite the exploding numbers, the gross enrolment ratio (GER) in higher education is barely around 15 per cent—much less than not only the ratio in many advanced countries, but also the average ratio in developing countries. The overall numbers turned out by the higher education system are felt to be highly inadequate to face new challenges. It has been argued by the NKC that India needs about 1,500 universities. The government has set a target of reaching a 30 per cent gross enrolment ratio in higher education by 2020. Though these targets are not based on any long-term vision or detailed perspective plan, there seems to be general agreement that the system needs to be expanded. The NKC has recommended a few other measures, including more reliance on the private sector and even foreign universities to achieve these goals.

A serious problem in the higher education system is a very high degree of inequity—between different social groups, between men and women, between rural and urban areas, and between the rich and the poor. Gender differences have narrowed down over the years to a substantial extent. Currently, about 40 per cent of the enrolments are from women, though there is a concentration of them in some areas of study. But this is changing, though slowly. Reservations in favour of Scheduled Castes and Scheduled Tribes, and Other Backward Classes have yielded some dividends. For example, the gross enrolment ratio among both Scheduled Castes and Scheduled Tribes doubled between 1993–94 and 2004–05. The transition rate was 75 per cent among the Scheduled Tribes, which is the same as that of the non-backward population, and it was 66 per cent among the Scheduled Castes. More importantly, the difference in the eligible enrolment ratio, or the difference in the percentages of enrolment of senior secondary graduates in higher education belonging to different caste groups, is very small; in fact, it was higher among the Scheduled Tribes and Scheduled Castes than among others in 2004–05.

But rural-urban inequalities and inter-state inequalities have increased. According to the 64th round of the National Sample Survey (NSS), the gross attendance rate in higher education in rural areas was about one-third that in urban areas in 2007–08. There are wide variations in the gross enrolment ratio among major states—they fell between around 9 per cent in Assam, Rajasthan and Jharkhand, 48 per cent in Delhi and 36 per cent in Uttarakhand in 2019–10. More strikingly, inequalities between the rich and the poor (the top and bottom household expenditure quintiles) in higher education have increased (Tilak 2009). The attendance rate among those from the top expenditure quintile was nearly 12 times that from those among the bottom quintile in 2007–08. All this cries out for the need of more sound and effective pro-poor policies.

It is also widely felt that the quality and standards of higher education are rapidly declining. According to a sample survey of universities and colleges (Qamar 2008), only five of 18 central universities and 33 of 121 state universities received an A grade from the NAAC. Among all universities, 32 per cent received an A grade; 52 per cent a B grade and 16 per cent a C grade. There are a few pockets of excellence among the several institutions of higher learning in the country. But, except for a couple like IIT-Kharagpur, no Indian institution figures in the top 500 universities in global rankings. Notwithstanding the drawbacks global rankings may have, they do indicate certain important levels of quality and excellence. Some doubt whether some of the IITs could be regarded as world-class establishments and whether they fulfill the critical conditions necessary to achieve world-class status (Altbach 2003; Salmi 2009). As a response to the poor standards in higher education, initiatives are being taken by the government, among others, to set up world-class universities under the name of 'innovation universities'.

Perhaps for the first time, the higher education system in India now faces a very serious shortage of faculty, which is at least partly attributable to the policies of the last two decades, when the downsizing of the public sector was the order of the day and faculty recruitment was banned for more than a decade. As a result, the academic profession is no longer attractive to fresh graduates and even the increase in pay following the recommendations of the Sixth Pay Commission (introduced in 2006) has had little effect. Fewer fresh graduates go for postgraduate and doctoral programmes. From institutions like the IITs, IIMs and central universities to undergraduate colleges, the whole system is severely short of qualified faculty. It is reported that 30 to 50 per cent of the teaching positions in most institutions are vacant. Proposals like recruiting foreign faculty, which are under the government's consideration, may not constitute effective solutions given the magnitude of the problem.

In recent years, with the growth of the information technology (IT)-related service sector, the nature of the demand for higher education has changed dramatically. There is a high demand for IT-related courses of study such as electronics engineering and computer sciences, and management courses, and a decline in the demand for courses to do with the liberal arts, humanities, social sciences, and natural and physical sciences. Even within engineering sciences, the first or second choices of students are not mechanical engineering, civil engineering or electrical engineering, but computer sciences and electronics engineering. The decline in the demand for other areas is so steep that several universities have been forced to think about closing some of their faculties and departments and most new institutions—mainly private—offer only management and IT-related courses of study. It is feared that all this will result in an unbalanced development of higher education.

The inadequacy of public funds is a very serious problem that the higher education system in India suffers from. It is related to many of the issues mentioned, including falling standards and quality; widening inequalities; the growth in private institutions—specifically profit-seeking ones; the introduction of self-financing courses, even in the best universities; and the increasing reliance on student fees and loans as well as other cost recovery measures. Following the Education Commission's recommendation, the government had made a firm commitment in the National Policy on Education 1968, to allocate 6 per cent of national income to education (see Tilak 2007). Nearly 45 years after the resolution and 25 years after the target year, we spend only 3.9 per cent (2010–11) on education. It was recommended by the Committee of the Central Advisory Board of Education (CABE 2005) that a quarter of the 6 per cent, that is, 1.5 per cent, be allocated to higher education. Many feel that if the country had been spending 6 per cent of the national income on education for the last 25 years, a majority of the finance-related problems and even other problems in education would not have arisen, or even if they arose, would have been resolved.

Rapidly changing national and global socio-economic, political and technological conditions, the emergence of domestic and international market forces, privatisation, the revolution in information and communications technology and the powerful waves of globalisation, internationalisation and corporatization exert multiple pressures on the system, adding to the gravity of the problems. It is indisputable that the liberal economic reforms introduced in the 1990s have had a serious impact on various dimensions of higher education. The whole educational milieu has changed. To put it briefly, the development paradigm has changed from that based on a welfare-state philosophy to a market-oriented one—to a less State-regulated and more liberalised economic regime. This affects the development of almost every dimension of higher education. Higher education in India today is in a state of ferment; it faces tremendous challenges and the answers are not clear. Answers, if any, they are not simple.

As many feel, drastic reforms are long overdue. Scholars, social thinkers and government-appointed commissions and committees starting from the Radhakrishnan Commission and the Kothari Commission to the NKC and the Yashpal Committee have made several suggestions to reform higher education. Quite a few legislative measures have also been initiated in recent years. A bill has been introduced in Parliament to set up a National Commission on Higher Education and Research in place of the UGC, AICTE and NCTE. Both the NKC and the Yashpal Committee recommended this, though for different reasons. A few more legislative measures have also been initiated in this regard in the very recent years. There are doubts whether some of these recent endeavours that look like quick-fix solutions to long-standing problems will reform higher education or deform it (Tilak 2010b). The unfinished tasks in higher education are stupendous and the neo-liberal solutions that are being experimented with may not necessarily produce healthy results in the long run.

More than anything, the absence of a long-term vision and perspective on the development of higher education is widely felt (Tilak 2004). Coherent and consistent long-term, medium-term or even short-term planning in education is rarely attempted, not to speak of integrated planning that incorporates higher education with overall educational planning and with national economic planning. Apart from a manpower plan prepared for 1966–86 (Burgess, Layard and Pant 1968) in the context of the Report of the Education Commission (1964–66), no manpower plan of any kind has been attempted in Independent India. Of late, some quantitative targets have been somewhat arbitrarily set for enrolment ratios and establishing new institutions.

It is very important to recognise that higher education is critically important to development. Voluminous research shows its positive and significant influence on various dimensions of national development—socio-economic, political, cultural and, not the least, technological—is very significant. And developments in these spheres, in turn, influence the pace and nature of higher education's progress. It is now acknowledged that a nation aiming to become economically advanced or aiming to build a strong knowledge society cannot overlook the decisive role of higher education. After all, developed nations critically rely on their strong public higher education edifices for national development. But neither these findings nor the global reports of the United Nations Educational, Scientific and Cultural Organisation (UNESCO 1998) and the Task Force on Higher Education and Society (2000) have had much impact on public policy in higher education in India, as in many other developing countries. The privatisation of higher education goes on unabated.

Building a strong, vibrant and sustainable higher education edifice that makes a significant contribution to national development requires a deep knowledge of the system—how it has evolved over the years, over decades and centuries, how it contributes to multiple facets of development and how it is influenced by them. Universities and institutions of higher education are social institutions embedded in the wider society; they influence social forces and at the same time are subject to them. Critical analysis and knowledge of these relationships and their strengths and weaknesses—all based on robust research—are absolutely necessary.

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— two —

TRANSITION FROM HIGHER EDUCATION AS PUBLIC GOOD TO HIGHER EDUCATION AS PRIVATE GOOD*

The status of knowledge is altered as societies enter what is known as the postindustrial age and cultures enter what is known as postmodern age.

—Jean-François Lyotard (1984: 3)

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Conventionally, higher education has been regarded as a public good, producing a huge set of externalities benefiting not only individuals but also the whole society. Higher education institutions are recognised as important social institutions, performing vital social functions that are widely acknowledged as noble and core for the very sustenance of societies besides creating and disseminating knowledge. The externalities or the social benefits higher education produces are legion, covering economic, political, cultural, social and technological—almost every aspect of humanity (see Gemmell 1997). This view has prevailed for a long period, influencing public policies on higher education. But

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of late, the chronic shortage of public funds for higher education, the widespread introduction of neo-liberal economic policies and globalisation in every country and in every sector—which also contributes to rapid growth in privatisation of education—and the heralding of the international law on trade in services by the World Trade Organisation (WTO) and GATS—all tend to question the long-cherished and well-established view of higher education as a public good, and propose and legitimise the sale and purchase of higher education as though it is a private commodity meant for trade.

In India, too, the introduction of neo-liberal policies in the early 1990s has resulted in a significant shift in the public approach to education—the public good character is being forgotten and the profit-seeking private sector is gaining strength. Though private education is not a new phenomenon in India, as there is a vast private sector, which is State-supported, the growth of the *pure* private sector in education has been a recent one. The growth of such private sector, solely relying on student fees, has been very rapid over the last couple of decades, crowding out the public sector. Decline in public investment in higher education, though essentially viewed as a factor contributing to the growth of the private sector, is also viewed as an outcome; as the private sector is growing, there is no need for growth in the public sector. All this poses serious problems relating to access, quality and equity in education, resulting in dangerous cracks in the edifice of higher education and the erosion of the public good nature of higher education.

Concentrating on these aspects, this chapter attempts to describe how the traditional view of higher education as a public good is giving in to the new thinking on higher education as a private commodity, and the long-term of implications of the same.

Background

The value of education was recognised perhaps much more in traditional societies than in modern ones. Though no attempts were made to identify and quantify the benefits of education, its public good nature was rarely questioned. Education and knowledge were viewed as great wealth in themselves besides being a source that could lead to an increase in wealth. It seems that even the existence of externalities was acknowledged in traditional societies, both in the ancient and modern periods. Accordingly, societies invested resources in education voluntarily and gladly, and many a time without expecting any direct economic return. Even well into the modern period, say, until the advent of the 1970s, similar views were held on the public good nature of education. The immediate post-War period in Europe and post-Independence period in developing countries was dominated by a welfare-state philosophy wrought from a social democratic consensus. It was strongly felt that the government could do almost everything for everybody, and that the legitimate role of the State was to provide public goods such as education, to promote individual and collective betterment. Following John Maynard Keynes, the power of the State was recognised, State planning and intervention were favoured and an extension of the traditional functions of the State in providing public goods was promoted. In many ways, education was an important public good in the Keynesian calculus.

The advent of the 1970s heralded a crisis in education throughout many parts of the world, including India (Coombs 1985). The crisis was characterised by high rates of inflation, shrinking public budgets for education along with increasing student numbers, declining per student expenditures, extremely inadequate investment in the quality of education, severe distortions in inter-sectoral and intra-sectoral allocation of resources, widening of inter-country and intra-country inequalities in education, etc. What were perceived as socio-economic and political imperatives, along with the eclipse of Keynesianism in the mid-1970s, gradually paved the way for the entry of free-market principles and direct measures of cost recovery in education. The concept of the free market used in modern economics until the end of the 1970s or early 1980s was probably consistent with an appropriate role of the government to take care of market failures. This was certainly the basis of welfare economics (Cowen and Crampton 2002). But the reframed formulations of the market characteristics of neo-liberal thinking led to developments in the 1980s and 1990s that brought about a complete swing of the pendulum in which social democratic values and welfare state concerns were replaced by the free market philosophy that stresses on individual economic values and gains. New values, policies and practices came to replace traditional and well-established values, concepts and approaches. Social democratic visions and policies are being replaced with market-driven ones. 'Marketisation' has become the prevailing buzzword, as the role of the government is being 'reinvented'. As Neave (1996: 15) observed, 'new ideologies have ousted earlier perceptions'. Globalisation and internationalisation also added to the momentum of the spread of new values and approaches into even those societies that vehemently opposed market or capitalist views on education. Under these neo-liberal policies, individual freedom and choice are preferred to social (or public) choice. Concepts like public good and social justice are viewed as impossible to achieve and even as not necessarily desirable. By the mid-1990s, these arguments had become firmly established. It is believed nowadays that it is not the government but the market that can do everything for everybody. This philosophy has entered the education sector as well and education is increasingly treated as a private good. Correspondingly, reduced governmental emphasis on education, more explicitly on higher education, is promoted as an economically and educationally efficient means by which the role of the government should be confined broadly to the formulation of a coherent policy framework, enabling of a regulatory environment and provision of appropriate financial incentives (see, for example, World Bank 1994, 2002: 83). The experience of India testifies to all this.

Growth of Higher Education in India

In modern India, particularly post-Independence India, higher education has expanded rapidly and the expansion, until the mid-1980s, was mostly public in nature. After Independence, India started developing education almost from scratch and made significant progress. In 1950–51, the eve of the Plan era in India, there were 28 universities and fewer than 700 colleges, with student numbers standing at less than half a million. During the last six decades after Independence, higher education expanded remarkably to the point that according to the latest statistics available, in 2005–06, there were as many as 350 universities (including a few university-level institutions) and nearly 20,000 colleges offering general and professional education in India. This may be the largest network of higher education systems in the developing world. These figures do not include an additional network of about 300 specialised science and technology institutions, including over 200 specialised laboratories. These are in addition to industrial research and development laboratories in the private and public sectors and 1,272 polytechnics. The growth in professional education since Independence is perhaps even more dramatic. From a base of almost zero professional education institutions, it has grown by 2005–06 to a system having seven technological institutes of high standard—the IITs—and six top-level institutions of management—the IIMs, many of which were established in the 1960s. It also has 1,600 colleges of engineering, technology and architecture, 2,000 medical colleges, 1,700 teacher-training colleges and 2,600 other professional and technical institutions in areas including agriculture, law, management, computer applications and information technology. Thus, a wide network has been established in the case of technical and professional education as well.

This enormous growth of capacity has been accompanied by an explosion in student numbers. Enrolments in higher education swelled from less than a quarter million in 1947–48 to 14.4 million in 2005–06, constituting 11.6 per cent of the relevant age-group population. On the whole, India today ranks fairly high in terms of the size of the network of higher education institutions, the enrolments therein and the graduate manpower it produces for the development of the domestic economy and to the international economy as well. With an annual output of 2.5 million graduates, India had a stock of nearly 22 million graduates from various disciplines in 2003–04 (Agarwal 2006). Compared to what the country inherited from its colonial rulers about 60 years ago, these figures mark a phenomenal expansion of the system, as shown in Table 2.1.

TABLE 2.1: Growth of Higher Educational Institutions in India

Year	*Colleges for*			*Universities***	*Enrolment (million)*
	General education	*Professional education**	*All*		
1857–58	—	—	27	3	250***
1947–48	—	—	496	20	0.2
1950–51	370	208	578	28	0.2
1960–61	967	852	1,819	45	0.6
1970–71	2,285	992	3,277	93	2.0
1980–81	3,421	1,156	4,577	123	2.8
1990–91	4,862	1,765	6,627	184	4.4
2000–01	7,929	2,223	10,152	254	8.6
2005–06	11,699	8,114	19,813	350	14.4

Notes: * Includes engineering, technology, architecture, medical and education colleges.
** Includes institutions deemed to be universities and institutions of national importance.
*** Number not in million.
— Not available.

Source: *Selected Educational Statistics 2005–06* (and earlier years), MHRD, Government of India; *Annual Report 2005–06* (and various years), UGC.

Such an expansion was possible, *inter alia*, due to the implicit recognition of higher education as a public good, investments in which were made to produce further public goods such as equity, democracy, etc., besides realising its contribution to the production of the manpower critically needed for the growth of the newly independent, developing economy. Expansion of system capacity was most impressive during the first two-and-a-half decades of Independence, that is, until the mid-1970s, as the State somewhat liberally funded higher education. This period, in general, was characterised by rapid growth in public and State-supported public institutions. The situation changed from the mid-1970s with attempts to 'consolidate' higher education—'rationalisation' began, growth rates in enrolments in higher education began to fall and there was a modest decline in public higher education expenditures. Systemic economic problems such as inflation and wars strained the public expenditure on higher education. The developments of the 1990s resulted in a significant change in attitudes and approaches towards higher education and have had a more serious impact on growth in public higher education, which ceased with virtually all expansion taking place in the private sector. Even without serious public debates on the public *versus* private good nature of higher education, the concept of public good began to be eclipsed by the philosophy of education as a private-good, which gradually emerged dominant.

Recent Developments and the Transition of Higher Education

The chronological developments of the past couple of decades, some of which are briefly listed in Table 2.2, are indeed worth recalling as they in all narrate the story of a steady disappearance of the notion of public good in policy discussions on higher education.

Education for All and Higher Education

The last decade of the twentieth century began with the famous Jomtien World Conference on Education for All. Almost all the countries of the world met in Jomtien in 1990 under the umbrella of major international organisations, including the World Bank, UNESCO, United Nations International Children's Emergency Fund (UNICEF), United Nations Fund for Population Activities (UNFPA), etc., and proclaimed their commitment to fulfilling the basic goals in education, which had remained unfulfilled for a long time. A major positive outcome of the Jomtien conference was for basic education to receive the serious attention of national governments and the international community. This was good in itself, but at the same time it produced an undesirable effect on other levels of education. It was widely felt that basic education goals could be reached only at the cost of the expansion of secondary, and more particularly higher, education. As a result, higher education was either ignored in the policy planning exercises of governments and international organisations or special measures were initiated to reduce the intensity of public efforts in higher education, or both.

TABLE 2.2: A Chronology of Some Important Recent Events in Higher Education in India

1986	World Bank paper on financing education in developing countries*
1990	World conference on education for all at Jomtien;* Adoption of 'new' economic reform policies in India
1992	Supreme Court judgment (Mohini Jain *versus* Government of Karnataka) on higher education
1993	Supreme Court judgment (Unnikrishnan *versus* State of Andhra Pradesh) on higher education; UGC committee report on mobilisation of resources in central universities
1994	AICTE committee report on mobilisation of resources for technical education; World Bank paper on higher education*
1995	Introduction of the private university bill in Rajya Sabha; WTO/GATS (and education)*
1997	Discussion paper on government subsidies in India
1998	UNESCO conference on higher education*
2000	Taskforce report on higher education and society (UNESCO–World Bank); Prime minister's taskforce (Ambani–Birla Committee) report on education
2001	World Bank report on knowledge societies*
2002–06	Formulation of the private university bills in the states (Chhattisgarh, Uttar Pradesh, Himachal Pradesh and Manipur) and the setting up of private universities
2005	Supreme Court judgment: the Chhattisgarh bill is illegal
2005–06	Discussions on regulation of growth of private universities and discussions on regulation of entry of foreign universities
2006–08	Setting up of the NKC and the submission of two annual reports in 2007 and 2008.
2008	Eleventh Five Year Plan draft finalised; expansion of higher education proposed

Note: *Represents outside India events with implications for higher education in India.

All this happened in India as well. Many public policy and plan documents, including *Economic Surveys*, annual budget speeches of the finance minister, and debates and discussions on policy issues in education ignored higher education altogether, as they focused instead on literacy and primary education. To justify its stand, by the mid-1990s the government declared that 'the higher education system in the country is now sufficiently developed to meet the nation's requirements. The unmet demand for higher education is not considered economically viable' (Government of India 1994: 75).

Neo-liberal Policies and Privatisation of Higher Education

Perhaps the most important development of the early 1990s to impact the public approach to higher education was the introduction of the 'new' economic reform policies, popularly known as policies of liberalisation, privatisation and globalisation, which required a drastic cut in public expenditures across the board, including education. In fact, these policies set the tone for drastic reforms in higher education in India in the following years; on the whole, higher education suffered severely (Tilak 1996). Allocations to higher education in the last few five year plans (Eighth, Ninth and Tenth Five Year Plans) were at all-time low levels. Barely 7–8 per cent of the total education outlay in the Five Year Plans was devoted to higher education, compared to nearly one-fourth in the Fourth. This decline in relative priority was paralleled by modest to insignificant levels of increase in expenditure in real terms in the face of rapidly rising population numbers. Not surprisingly, per student expenditure also experienced a drastic decline, which meant a decline in the real resources available per student on an average, in the form of steep cuts in budget allocations for libraries, laboratories, scholarships, faculty recruitment, faculty improvement programmes, etc.

Cuts in public expenditure on education negatively impact quality and, more importantly, equity. Once higher education is no longer viewed as a public good, equity considerations also disappear. This can be exemplified by a steep decline in the budgets for scholarships in higher education in India, which are intended to promote equity in higher education as a large proportion of scholarships are meant for the weaker sections.

Cost Recovery and Financial Privatisation of Higher Education

Once the government initiated the economic reform policies and froze budgets for higher education, the search for non-governmental resources for higher education started. The Government of India appointed two committees—one on central universities (UGC 1993), and another on technical education institutions (AICTE 1994)—to outline methods of mobilisation of resources for higher education. Both committees seemed to have worked in parallel to each other, and submitted their reports almost at the same time in 1993–94. The message and recommendations originating from both committees were more or less identical, each having been set up in the same emerging market-friendly milieu. Though both stressed the importance of State financing of higher education and argued for a firm commitment on the part of the government to finance higher education, they also suggested several measures to mobilise non-governmental resources for higher education. The recommendations that attracted the attention of the government included the (a) raising of fee levels, (b) raising of resources by institutions through consultancy and sale of other services, (c) introduction of self-financing courses and (d) introduction/revitalisation of student loans. As experience has shown, all these measures contributed to a different form of privatisation of higher education—financial privatisation of public institutions of higher education.

The government found it convenient to accept these recommendations and act upon them as these they conformed to some of the important components of the macroeconomic policies of structural adjustment that were adopted by the government at the same time and also with the recommendations of the World Bank, some of which were outlined in its policy paper (World Bank 1994). Following these, several committees were constituted by central and state governments to work on the nitty-gritties of instituting fee reforms, whose recommendations again received favourable attention from the Government of India, UGC and state governments. As a result, many universities subsequently made very significant upward revisions in fee levels, as well as introduced different kinds of fees. Out of 39 universities studied, more than half a dozen universities raised fee rates in such a way that they generated more than 50 per cent of the total recurring income of the respective universities from student fees; and another 13 universities could generate more than 20 per cent (Tilak and Rani 2002). A large number of universities have also launched 'self-financing courses', mainly to generate additional resources. A more recent study (Agarwal 2006) estimated that tuition fees alone accounted for nearly 20 per cent of the total revenue of public higher education institutions, 38 per cent of the total revenue of State-supported private institutions, and 100 per cent of the revenue of the private institutions; in all, tuition fee alone accounted for 50 per cent of the total revenues of the higher education system in India. Student fees other than tuition fees are several times higher than the tuition fees.

With the support of the UGC, a large number of universities have also set up university-industry cells to promote close links between universities and the industrial sector, again essentially with the objective of raising resources from industry. This has its own impact, though limited, of the industrial sector on higher education institutions. Finally, though an Educational Development Bank of India as suggested by the AICTE committee could not be set up, student loan schemes have come to be floated by almost all public and private-sector banks. These loan schemes are operated on commercial lines, caring neither for the educational background of students nor their relative economic status. They are merely known as education loans and are virtually identical to any other consumer loan, such as those for cars or housing. Nearly Rs 70,000 million was lent in 2004–05 to 500,000 students (Agarwal 2006). According to the Reserve Bank of India (RBI), public-sector banks had sanctioned education loans worth Rs 189,900 million, which were outstanding as on 23 November 2007 (Shankar 2008). The basic premise of student loan programmes is that higher education is a highly individualised private good that has to be funded, not by the State, not by parents, but by the students themselves in full.

It is important to note that it is only since the mid-1980s or so that the discussion has been explicitly in favour of private financing of education, or privatisation of education, has taken prominence. Attempts at mobilising additional resources for higher education were proposed under different garbs—first as mobilisation of additional (public) resources, later, mobilisation of non-governmental resources, then diversification of finances, then cost-sharing, cost-shifting, cost recovery and user charges, and finally privatisation. In the end, market and *quasi*-market principles have been brought to bear in education through, *inter alia*, measures like student fees, loans and other forms of cost recovery, reflecting in all a steady march from welfare-statism to free-market hegemony. While as late as the early-1970s, privatisation of education appeared 'destined for marginality' (Levy 1992: 1183), it has now become an important and seemingly irreversible model of development.

Yet another important development of the last two decades is the sustained effort towards 'direct' privatisation of higher education in India. Besides making significant attempts towards financial privatisation of higher education through reduction in public expenditures and introduction of cost recovery measures—fees and loans, broadly in conformity with the new economic reform policies—policy measures have also moved towards 'direct' privatisation of higher education. The discussion is not just confined to higher education. Even primary education, which the Constitution promises to provide 'free' by the state, has been subject to privatisation.

Privatisation of education takes several forms (see Tilak 1991), such as an 'extreme' version of privatisation implying total privatisation of higher education (all institutions managed and funded by the private sector with little governmental intervention); a 'strong' form of privatisation in which costs of public higher education are recovered from students in full; a 'moderate' form of privatisation implying public provision of higher education, but with a reasonable level of financing from non-governmental sources; and 'pseudo' privatisation that refers to privately managed institutions with public money. With privatisation becoming the buzzword, public policies seem to be encouraging privatisation of all types in education. We see a clear shift from philanthropy-based private education to profit-seeking private education (Tilak 2006).

A critical historical judgement of the Supreme Court in 1992 that practically banned colleges charging high levels of fees, known as capitation fees (huge lump sum fees equivalent to and practically more than the costs), stated that the capitation fee is 'patently unreasonable, unfair and unjust'. This was, however, followed by another historical judgement in 1993 that argued for regulation of fees in these private institutions, but actually paved the way for the growth of the same capitation fee in colleges under a different rubric of 'self-financing colleges'. Elaborate mechanisms were developed by the government that resulted in the proliferation of self-financing capitation-fee colleges throughout the country. Today, such colleges, especially those specialising in engineering and management education, outnumber public institutions several times over. In fact, in absolute numbers, and also as a proportion of the total, the number of government colleges in these specialisations turns out to be negligible. For example, in 2001–01, in the southern state of Andhra Pradesh there were 95 private self-financing engineering colleges compared to 11 government colleges; similarly there were 303 self-financing medical colleges, compared to 25 government colleges. According to some estimates (Agarwal 2006), in the country as a whole, 88 per cent of the engineering colleges, 94 per cent of pharmacy colleges, 90 per cent of colleges offering hotel management, 67 per cent of the colleges of architecture, 68 per cent of teacher education colleges, 62 per cent of the colleges offering Masters in Computer Applications (MCA), 64 per cent offering Masters in Business Administration (MBA), 46 per cent of the medical colleges, and 92 per cent of the colleges of physiotherapy in the country are totally private institutions. Such colleges are set up for the pursuit of studies in humanities and social sciences as well. The recently submitted reports of the National Knowledge Commission (2007, 2008) lend further support to the growth of private institutions and to the founding of new institutions of higher education based on the principle of public-private partnership.[1] With the overall diminution of the number of public institutions, the casualty is not just equity and quality of higher education, which are well known, but also the public good nature of higher education.

Legislative and Other Initiatives

A Private Universities Bill (Government of India 1995) was introduced in the national Parliament in August 1995 with a view to provide for the establishment of self-financing universities. The Bill is still pending in Parliament. It has not been processed and passed for various political economy reasons, and the resultant confusion on the part of the government is worth noting. The government's lack of clarity on how to go ahead on the issue was apparent from the statement made by the then-minister for human resource development in a meeting of the synergy group on education. The minister was reported to have made three rather inconsistent statements at one go—higher education would not be privatised; the Private University Bill was under consideration by the government; and private initiatives would be sought for the expansion of higher education (*Times of India*, 25 July 1995).The confusion seems to be continuing, as revealed by similar statements by the government and even the judiciary in recent years. Confused but seemingly persistent distinctions continue to be made—privatisation is acceptable, but not commercialisation of higher education; high fees are okay, but not exorbitant fees; exorbitant fees are okay, but not if surplus is generated; surplus is okay, but not profits; profits are okay, but not exorbitant profits, etc.

The government had appointed a committee headed by two noted private-sector industrialists to suggest the reforms needed in the education sector, along with other sectors. This Ambani–Birla Committee (Government of India 2000), though noting the critical importance of the role of the State in the development of education, including higher education in several developed countries of the world, nevertheless strongly suggested that the Government of India should leave higher education altogether to the private sector, lock, stock and barrel, and confine itself to school education. It further pleaded for the passage of the Private University Bill and also suggested that the user-pay principle be strictly enforced in higher education, supported by loans and grants to economically and socially backward sections of society. The Committee refused to note the public good nature of higher education, and the industrialist-heads of the committee viewed higher education as a 'promising' private marketable commodity.

Though the Private University Bill was not yet passed in Parliament, and the recommendations of the Ambani–Birla Committee were not accepted *per se*, several initiatives undertaken by the government suggest that the higher education system is being rapidly privatised, and that perhaps there is no need for a specific bill to achieve that outcome. A few private institutions of higher education have been virtually given the status of universities by recognising them as 'institutions deemed to be universities'. In fact, the recent initiatives of the government to recognise/grant the status of deemed universities to many institutions is viewed mainly as a move towards privatisation. Suddenly, within a span two or three years, the number of deemed universities has increased to over 100, the majority of which are private institutions without State support.[2] Further, a few universities have been created that consist of only affiliating private, self-financing colleges; and a few other private institutions are being allowed to actually operate almost as universities or equivalent to universities by offering degrees and diplomas. All this is in addition to allowing the rapid growth of private self-financing institutions at the college level and the conversion of government-aided private institutions into private self-financing institutions in several states. Finally, remembering the 'concurrent' nature of education in the Constitution that assigns joint responsibility to states and the national government, state governments have not waited for the national Parliament to pass a national law on private universities. Some of the states have promulgated ordinances on their own, while others are intending to do so, allowing the setting up of private universities, some of which were, however, to be closed down with the intervention of the judiciary. Presently there are more than 20 private universities, compared to nil about a decade-and-a-half ago.

The discussion paper on government subsidies in India (Government of India 1997) provides an insight into government thinking. For the first time, higher education (and also secondary education, rather, education above the elementary level) has been classified in this paper as a 'non-merit good' (and elementary education as a merit good), indicating that government subsidies for it would need to be reduced drastically (see Srivastava and Sen 1997). This is a major revelation of the thinking of the Government of India on higher education. In a sense, the public policies and action that preceded and followed this statement seemed to have been strongly embedded in such a view, though the Ministry of Finance has partly modified its earlier classification of goods into merit and non-merit natures. For example, it has reclassified higher education into a category called 'Merit 2 goods', that need not be subsidised by the State *at the same level* as merit goods (Srivastava and Amarnath 2001).

To sum up, the emergence of forces in favour of private higher education has been striking. The overall lack of resources is one oft-cited reason for the growth of private higher education. But an equally important reason stems from the changes in attitudes towards higher education, private higher education and 'for-profit' private institutions of higher education in particular. The public and merit good nature of higher education is being increasingly discounted. Private higher education is projected as an efficient system that can improve access and quality, as well as equity! The march towards privatisation of higher education is taking place through a variety of measures—financial privatisation of public universities, transfer of ownership of public institutions and establishment of private institutions, private institutions with government support, self-financing private institutions (with no government support), profit-making private institutions and various forms of public-private partnership. There is also an increase in institutions without government recognition relative to government-recognised institutions.[3] In short, with the growth of all kinds of institutions, higher education in India today is more privatised than in many other countries of the world. It is also least regulated. The march towards 'high privateness' in higher education (shown in Table 2.3) is steady and even fast. The purpose of the universities, their ownership, sources of revenue, norms of management and the role of the government in university development have been rapidly changing. The changes are not confined to newly established institutions, but even universities established several decades, if not centuries, ago are affected by these changes.

TABLE 2.3: Trends towards Private Higher Education

Dimension	*High public (modern)*	⟷		*High private (traditional)*
Mission/ Purpose	Serves as a clear public mission as determined by the State/ faculty	Mission avowedly both public and private	Mainly to respond to students' private interests	Mission serves private interests of students, clients and owners
Ownership	Publicly owned	Public corporation or constitutional entity	Private non-profit; clear public accountability	Private for-profit
Sources of revenue	Public/tax payers	Mainly public, but some tuition or cost sharing	Mainly private, but some public assistance (to needy students)	All private, mainly tuition
Control by government	High State control	Some control by the State	High degree of autonomy; State control limited to overseeing	Almost no control by the State
Norms of management	Academic norms, shared governance, anti-authoritarianism	Academic norms, but acceptance of need for effective management	Limited adherence to academic norms, high management control	Operated like business, norms from business management

Source: Johnstone (1999).

Internationalisation of Higher Education

Another major dimension of the developments in India refers to the internationalisation of higher education. Under the garb of meeting the challenges of globalisation in economic policies and pursuing policies of internationalisation in education, foreign universities/institutions have started to enter the country and establish mainly franchise centres offering degrees/diplomas of their parent universities (which are not necessarily recognised by the parent universities in their own countries). In addition, Indian institutions of higher education are planning to start similar centres in other countries. The government is under severe pressure from WTO/GATS on the one hand and domestic forces on the other, and again finds itself in a dilemma of whether to export education and allow foreign universities or not (Tilak 2007b). In the absence of a clear policy, both phenomena seem to be growing in size, more often creating problems than otherwise. A large number of foreign institutions has already entered the Indian scene. The National Institute of Educational Planning and Administration (NIEPA 2004) identified 131 foreign education providers for a sample study of such institutions in the country. The government is still contemplating the formulation of a regulatory/enabling framework in this regard on how to 'commit' higher education to WTO and GATS.

Largely driven by issues of capacity, there has been an undue emphasis on open and distance education, which implicitly and inadvertently recognises the nature of higher education as a commodity that can be packed and sold. Besides more and more open universities, almost every formal university has opted for a distance education cell and schools of correspondence courses, mainly as they are found to be capable of generating huge surpluses in revenue. Neither the quality nor equity aspects, nor the basic public good character, is adequately taken into consideration in all this.

Most importantly, the absence of a clear, coherent, explicit long-term policy perspective on higher education in India has been the hallmark of Indian higher education from the 1990s to the present decade. As a result, either *ad hoc*ism continues to prevail, or in the absence of even *ad hoc* policies, chaos is created by the unregulated interaction of several actors of higher education—central and state governments, UGC, AICTE, universities, colleges and, most importantly, the private sector. Market forces have been allowed to become active but since the markets in developing countries like India are 'incomplete' and 'imperfect', their outcomes are also far from perfect; in fact, in some areas, they are disastrous. Government behaviour seems to be increasingly 'market friendly' and driven by an uncritical *laissez-faire*ism in India (Tilak 2005a, 2005b).

To sum up, the current pattern of growth of higher education is presented in a summary form in Table 2.4. The number of public institutions has been stagnant; there has been no growth of State-supported private institutions either. Much growth is taking place in a number of private institutions—universities, university-level institutions and colleges.

TABLE 2.4: Present Pattern of Growth of Higher Education in India

Type of institutions	*Growth in numbers*
Public universities	Not growing
Private universities	Emerging on the scene
Public universities ('deemed to be')	Slowly growing
State-supported private universities ('deemed to be')	Not growing
Private universities('deemed to be')	Growing rapidly
Public colleges	Not growing
State-supported private colleges	Not growing
Private colleges	Growing rapidly
Foreign institutions	Emerging on the scene
Private post-secondary, but not higher education, institutions	Growing rapidly
Unrecognised private institutions	Growing very rapidly

Overall, the emerging trends in policy, planning and financing of higher education institutions in India are interesting to note (Table 2.5). The differences between the traditional system, which is also described as 'State-centric' model and the emerging

TABLE 2.5: Emerging Trends in Policy, Planning and Financing of Higher Education

Conventional system	*Emerging system*
Welfare approach	Market approach
Public higher education	Mixed and private higher education
Public financing	Private financing
Private (State-supported institutions)	Private (self-financing institutions)
Private(government-recognised institutions)	Private institutions requiring no government recognition
Private (degree-awarding institutions)	Private (non-degree, i.e., diploma/certificate, awarding institutions)
Private(philanthropy and educational considerations)	Private (commercial motives; profit motives)
No fees	Introduction of fees
Low levels of fees	High levels of fees
No student loans	Introduction of student loan programmes
Commercially ineffective loan programmes (no security, high default rates but based on criteria of educational qualifications and economic needs)	Effective/commercially viable loan programmes (security/mortgage); expected high recovery rates; based more on commercial considerations
Scholarly/academic disciplines of study	Self-financing/commercially viable/profitable disciplines of study
Emphasis on formal/full-time education	Open/distance/part-time education
Selection criteria for heads of institutions (academic background)	Selection criteria for heads of institutions (expertise in financial/money management and resource generation)
Academic institutions	Entrepreneurial universities and commercial institutions
Nature (public good)	Tradable private commodity

Source: Tilak (1999).

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system, popularly described as 'neo-liberal' model, are striking (George 2006)—the latter making a significant departure from the conventional system, in its approach, goals and method of functioning. The welfare approach is being fast replaced by market ideologies with a corresponding reduction in the role of the State, public institutions are required to generate substantial resources through fees and other mechanisms from private sources, the profit motive is allowed and the growth of profit-seeking private institutions is encouraged. In the process, the concept of public good goes into oblivion.

Current trends indicate that with the diminution of the public sector to miniscule levels and unbridled rapid growth of private institutions of all kinds—essentially profit-seeking private institutions—the transition of higher education institutions from that with a public good nature to a tradable private good seems to be nearing completion.

Summary and Conclusions

Though for a long time it was strongly felt that education should be located primarily in the State sector due to (a) the public good nature of education, (b) externalities (and dynamic externalities) associated with education, and (c) market inefficiencies, in addition to enduring social, political, cultural and historical reasons, in the present context of neo-liberal policies and the global wave of privatisation, these aspects are ignored and higher education is increasingly viewed as a private good, as a marketable good, and privatisation of education has been strongly and broadly advocated.

The role of higher education has been reinterpreted and redefined. Traditionally, higher education had been viewed as a process that creates and diffuses knowledge. Expansion of the frontiers of knowledge was regarded as the most important function of education. Second, higher education was viewed as an instrument of personal development of individuals, expanding intellectual horizons of the individuals, their interests and potential, and empowering them to have a better quality of life—a view widely supported by contemporary sociologists and psychologists. Third,

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higher education was viewed as a desirable and effective instrument of social engineering, socialising individuals into the values of the society—social, ethical, cultural and political—so that societies become more virtuous as they accumulate increased numbers of more and more highly educated people (à *la* sociologists like David Émile Durkheim). Lastly, human capital theorists placed emphasis on the role of education in the transformation of human beings into human capital, an instrument of production and economic growth, and thereby resulting in the economic well-being of people and societies, à *la* Theodore Schultz (1971) and Gary Becker (1964). Many institutions of higher education in the contemporary period aimed at serving all these functions. Higher education is essentially viewed as a public good (Tilak 2003, 2005c).

UNESCO (1998), the Task Force on Higher Education and Society (2000) and the World Bank (2002) did not have much impact on public policy in higher education in India as it did in many other developing countries. Privatisation of higher education went unabated. With privatisation, all the functions mentioned above were subsumed by market considerations and financial motives such as financial efficiency, measured in terms of revenue generation and profits. In short, the emerging higher education system can be summed up as a transformation of a public good into private good—academic institutions into 'entrepreneurial universities' and 'commercial institutions', whose single most important objective seems to be the mobilisation of more resources (Raines and Leathers 2003). This is more or less what Clark Kerr (1978) paraphrased long ago as 'paradise lost' in higher education.

Governments such as that in India are only able to think, at best, of how to 'regulate' the growth of private higher education and, in fact, are providing a framework that indeed promotes privatisation of higher education. They are not in a position to think of resurrecting the public good nature of higher education, as the trends in privatisation of higher education are viewed as irreversible. As Roberts (1998) observed, the gulf between those who subscribe to the grand narrative of market liberalism and those who wish to defend almost any other position on the purpose and character of a university is enormous. There is no rule that might be found to adjudicate between the parties involved in this dispute without one side being wronged, but to date the battle has been overwhelmingly one-sided. The wave of globalisation and privatisation is so strong that few dare to think otherwise even in a vibrant democracy like India. 'The argumentative Indian' (Sen 2005) seems to be preferring not to argue anymore.

Endnotes

A revised version of the paper was presented in the Senior Seminar on the Tensions Between Education as a Public Good and Education as a Private Commodity, organised by the International Forum for Education 2020, East-West Center, Honolulu, the US, 6–12 September 2006.

[1] See Tilak (2007a) for a critical review of the recommendations of the NKC (2007).

[2] They have been allowed only recently, contrary to the UGC Act of 1956, to use the term 'University' in their titles.

[3] Due to an asymmetry of information, many students do not know whether a university is a public or private one, whether it is a full university or a deemed university, or even a legally constituted university or a 'fake' university, and whether or not the degrees offered by a private university are recognised by concerned public bodies like the UGC and AICTE. These bodies are not able to check the growth of such institutions. At best, they periodically provide a list of fake universities.

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— three —

HOW INCLUSIVE IS HIGHER EDUCATION IN INDIA?*

Inclusive growth is the modem day mantra of development. Inclusive growth is defined as a concept that advances equitable opportunities to every section of society. The concept is becoming increasingly important against a background of widening inequalities in society, which are associated with globalisation and related economic reform policies. For a long time, the term 'equity' has been popular in policy discourse; 'growth with distribution', 'growth with equity', 'growth with a human face', 'integrating growth with development' and 'pro-poor growth' have been some of the important and popular slogans in development policy discourses. Now, these terms are being replaced by 'inclusive growth'. Inclusive growth might mean either progression in our thinking and approach (we already achieved equity and we may have to go beyond), as Abhijit Sen (2010) felt, or retrogression as equity and the other terms described above are viewed as representing much larger strategies of development and as concepts more desirable than inclusiveness, which could be narrowly interpreted as ensuring representation of every group of the population, but not necessarily equal or equitable representation. However, it is widely and generally felt that inclusive growth might mean all of these and

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much more. The Commission on Growth and Development (2008) defined inclusiveness as a concept that encompasses equity, equality of opportunity and protection of the people, mainly the weaker sections, in market and employment transitions; it is an essential ingredient of any successful growth strategy. It is a growth strategy 'with emphasis not only on the distribution of economic gains but also on the security, vulnerability, empowerment, and sense of full participation that people may enjoy in social life' (World Bank 2006).

Inclusive growth refers to both the pace and pattern/distribution of growth, which are considered interlinked and, therefore, need to be addressed together. The inclusive growth approach takes a longer-term perspective and is supposed to be inherently sustainable. This is distinct from the mechanism of income distribution schemes which can, in the short run, reduce the inequalities between the poorest and richest, but the reduction in inequalities might not be sustainable over a long period (Lanchovichina and Lundstrom 2009). It is a growth process that yields broad-based benefits and ensures equality of opportunity for all (Planning Commission 2007). It is regarded as 'the only sure means for correcting the deeply ingrained regional imbalances, inequities and for consolidating economic gains' (World Bank 2006).

Inclusive growth policies are expected to aim at the creation of a 'society for all'. They are viewed as affirmative policies that aim at empowering the marginalised and the involuntarily excluded people, by ensuring equal access to markets, services and economic, political and social spaces to all. In short, make all effective partners in the processes of socio-economic and political development. Accordingly, inclusive growth is meant to focus on the poor, the marginalised, the disadvantaged strata of the society and those living in backward regions. It is concerned with overall equity, not excluding any section of society. A major part of any strategy for increasing the 'inclusivity' part of 'inclusive growth' must be to improve the capabilities of persons of all vulnerable and weaker sections of the society (Basu 2001). This involves increasing their endowment of assets, including human capital endowments.

In the famous *Theory of Justice*, Rawls (1971: 47) proposed two principles of justice—the first principle implies 'fair equality of opportunity', meaning equal claim by all to basic rights and liberties, and the second principle means that greatest benefit accrues to the least-advantaged members of society. On similar but not exact lines, Lanchovichina and Lundstrom (2009) argued that inclusive growth should be defined and measured in two ways. First, in line with the absolute definition of pro-poor growth, it is to be defined as growth for all, that is, all sections including the poor and the excluded and marginalised groups must benefit. Second, it needs to be defined in relative terms. While all sections of the society benefit, the rate of growth in levels of living of the poor would be expected to be higher than the non-poor. So, according to the latter part of the definition, *relative* growth has to be measured. If the relative definition is not considered, inclusive growth might mean growth or even growth for all with static or even increasing inequalities.

The approach of the Government of India in favour of inclusive growth has been clearly articulated in the Eleventh Five Year Plan (2007–12) and later in the Twelfth Five Year Plan (2012–17). Given that caste, religion, gender, region and poverty have been the main bases for exclusion in India, it is intended that these groups form the main focus of attention while formulating policies and plans for inclusive growth.

The contribution of education to development is widely recognised. The direct and indirect benefits that education produces for individuals and externalities are indeed large in quantum (McMahon 1999). Abundant literature is available that highlights the contribution of education to economic growth, poverty reduction and reduction in inequalities (for example, Psacharopoulos and Woodhall 1985; Tilak 1994). To break the cyclical chain of inequalities—where inequalities in education contribute to inequalities in labour market information, which lead to inequalities in employment, which further cause inequalities in earnings that result in socio-political inequalities, which in turn cause inequalities in participation in education—education is considered a very effective strategy. In fact, education is found to be a more sustainable and more effective measure than other measures, in reducing inequalities in society (Carnoy 1993). It is more so in democratic societies like India where other approaches may not be practicable. Given all this, the role of education in inclusive growth, and also the relationship between education and inclusive growth, needs no emphasis. After all, education is a constituent of inclusive growth; as an instrument, it contributes to inclusive growth and its development is also influenced by inclusive growth. As the World Bank (2006) notes, the 'inclusive growth process is intricately linked with attempts to improve markedly the quality of basic services such as education (healthcare, power and water supply) for every one across the country'.

The process of inclusive growth and its outcomes get seriously influenced by the level and kind of educational development. Inclusive growth requires inclusive education. It has rightly been noted that 'the inclusive nature of the growth itself will be conditioned by the progress that is made in the areas of education' (Ministry of Finance 2007: 16). It is also recognised that 'a strategy of inclusiveness and broad based participation in the development process calls for *new emphasis on education*, health and other basic facilities' (Planning Commission 2007; emphasis added).

For education to promote inclusive growth, it has to be necessarily inclusive. A system of education characterised by exclusiveness or a high degree of inequalities cannot contribute to inclusive growth. It has to be qualitatively good and widely accessible to all sections of society in an equitable way. Inequality in education or unequal access to education is costly as it results in loss in individual welfare and loss in social welfare as well (Birdsall and Sabot 1996). Unequal education reproduces social inequality (Velaskar 1990). As Salmi and Bassett (2014: 363) observed, 'given the extensive social and private benefits that result from tertiary education, inclusive access and success are essential for achieving social justice and ensuring the realization of the full potential of all young people'. Even from a narrow perspective of the education sector, inequalities mean loss to the education sector in terms of lack of or low 'diversity' (UNESCO 2009).

This chapter examines how inclusive education in India is. Acknowledging that inequalities in primary and secondary education will produce unequal participation in higher education and hence they need to be studied together, the article nevertheless proposes to focus on higher education, as higher education is regarded as an engine for equitable economic and social progress, and inequalities in higher education are also reflective of cumulative inequalities in school education. Higher education in India has expanded at a very fast rate over the last quarter century or so. Does this rapid expansion automatically lead to reduction in inequalities in education? While some strongly argue that the benefits of expansion have percolated to the lower strata of society, some (for example, Deshpande 2006) view that higher education is inherently an exclusive field and hence its elitism is an integral aspect of its nature; and that modes of exclusion are built into its fundamental structure as a matter of principle. Hence, it cannot be expected that growth in higher education will necessarily percolate to the downtrodden strata of the society. Some (Raftery and Hout 1993) have even argued that the principle of 'maximally maintained inequality' would hold, according to which educational inequality remains unchanged until the enrolment ratio at a given level reaches the saturation point, which is estimated at around 95 per cent. Many also feel that inequalities would be higher at lower levels of education and they become less at higher levels of education, as only the more able would survive up to higher level of education. However, one might note higher degree of inequalities in higher education as the costs of participation in higher education are much higher than costs of school education.

How inclusive is higher education in India? The National Sample Surveys (NSS) provide some rich empirical data that help unravel some of these dimensions of growth and inequalities in higher education in India. Based on an analysis of the data of several rounds of the NSS over the period from 1983 to 2009–10 [the 38th (1983), 43rd (1987–88), 50th (1993–94), 55th (1999–2000), 61st (2004–05), 64th (2007–08), 66th (2009–10) rounds; and also the special rounds devoted to education, namely, the 42nd, 52nd and 64th rounds], supplemented by official statistics of the Ministry of Human Resource Development (MHRD) and UGC, and other studies that analysed these data and even provided estimates, growth and inequalities in higher education are examined here. For the period 1983–84 to 2004–05, the estimates on different indicators used in this chapter are drawn from Azam and Blom (2009),[1] Dubey (2008), Raju (2008), Sinha and Srivastava (2008) and Srivastava and Sinha (2008).[2] Enrolment ratios, transition rates and higher education attainment rates are drawn from Azam and Blom (2009); estimates on eligible enrolment ratios and net enrolment ratios are drawn from Raju (2008); other estimates for 2005–06 and for earlier years are drawn from the other sources mentioned above. Comparable estimates are made by the present author for 2007–08 and 2009–10 using the NSS data of the concerned rounds.[3]

Looking at the two dimensions of inclusive growth described above—the absolute and relative—this chapter examines the evidence of a few select indicators of higher education development, and tries to answer the question: 'How inclusive is higher education in India?' Inequalities in education are examined by several characteristics, such as gender, caste, religion, economic conditions and between several regions. Inequalities in education have often been examined by social groups—Scheduled Caste, Scheduled Tribes, Other Backward Classes (and non-scheduled/non-backward castes) and religion (Hinduism, Islam, Christianity and others)—and by gender—between women and men. Inequalities among these groups are widely considered important and need to be addressed and accordingly receive the serious attention of policymakers. Other equally, if not more, important dimensions of inequalities refer to inter-state inequalities and inequalities between rural and urban populations, and inequalities by economic groups—between the rich and the poor. These categories are not mutually exclusive; the principal dimensions of inequalities often overlap and even mutually reinforce each other. For example, the Scheduled Caste population may be predominantly economically poor; the relatively economically poor may be living in rural areas; the Scheduled Tribe population may be predominantly living in rural areas; gender categorisation cuts across all other categories; and so on. Further, the Scheduled Castes may be generally worse off, but in some states they may fare better than the non-scheduled population. As Shariff and Sharma (2003) have shown, a Dalit or Muslim in South India, though from the most disadvantaged among communities, would have better access to higher education than even upper-caste

Hindus in many other regions. It is widely recognised that economic and social factors such as class, gender or race that contribute to inequalities do not function in isolation but are inter-linked, and the 'mutual reinforcement of inequalities' (Dréze and Sen 2013: 214) gets further strengthened with the addition of every new dimension of inequality, which, of course, is uneven across the whole country, the degree of reinforcement being higher in the northern regions than in other parts of India. Hence, in order to understand one form of inequality, other forms of inequalities involved should also be simultaneously taken into consideration. The manner in which one source of inequality functions has a direct or indirect bearing on how the other sources fashion inequality (Sen 2008). Acknowledging all this, this chapter examines the extent of inequalities in education between different broad social, gender, regional and economic groups of the population and finds out which of the groups have improved or worsened in terms of inequalities.[4]

Equity in higher education does not only mean providing entry to the disadvantaged sections into higher education institutions; it is also about the continuation in higher education and successful completion of their higher education. Equity in labour market outcomes—employment and earnings—is yet another important issue.[5] Ignoring these labour market dimensions, growth and inequalities in higher education are examined here considering two important indicators, gross enrolment ratios and higher education attainment. Available estimates for a few years drawn from other studies on net enrolment ratios, eligible enrolment ratios and transition rates are also referred to in this context.

Inequalities in enrolment ratios refer to inequalities in access to higher education. The gross enrolment ratios—computed as students enrolled in higher education as a percentage of population—of the age group 18–23 may also capture, to some extent, accumulated inequalities, particularly inequalities at the school level. These and net enrolment ratios reflect levels of representation of the population in higher education. Transition rates refer to the entrants in higher education as a proportion of senior/upper secondary-school graduates. Finally, eligible enrolment ratios refer to students enrolled in higher education as a percentage of high-school graduates (people who are eligible for entry into higher education). As the base for computation of such a ratio is those students who have already crossed barriers to entry into senior secondary school education,[6] inequalities in the eligible enrolment ratio reflect the actual barriers to entry into higher education, faced by those who have crossed hurdles at the earlier stages of education.

The other indicator considered is 'higher education attainment', which is measured as a percentage of the adult population that completed higher education over the years. While enrolment ratios are flow variables, the higher education attainment—percentage of the population that completed higher education over the years—is a stock variable, reflecting the accumulated progress or lack of it. Estimates could be made for different age groups among the adult population—25–34 (youth population), 15–64 (working adults) and 15+ (adults)—for certain years. Improvements in this generally take more time than those in flow variables like enrolments and enrolment ratios. For the same reason, inequalities in higher education attainment do not decline as fast as those in enrolments.

In this study, we estimate simple measures of inequality to examine the trends in inequality. The coefficient of inequality is measured here simply as a ratio of the status of the concerned group in relation to the most privileged group. For example, the coefficient of inequality (C) in gross enrolment ratio (GER) is defined as

$$\frac{\text{GER}_m}{\text{GER}_i},$$

where m is the most privileged group and I the relevant group; m and i refer to men and women, respectively, in case of gender inequalities. In case of inequalities by economic groups, the coefficient is defined as

$$C_{q_1} = \frac{\text{GER}_{q_5}}{\text{GER}_{q_1}} \text{ and } C_{q_2} = \frac{\text{GER}_{q_5}}{\text{GER}_{q_2}},$$

where q_i refers to the quintile groups. Inequalities by caste and religion are also estimated in the same way. In case of regional inequalities between rural and urban regions, Sopher's (1974) index of regional disparity[7] is estimated. The estimates presented here are constrained by the nature and quality of data available, and methodologies and definitions adopted by other scholars when their estimates are used. All rounds of NSS are not strictly comparable; some are based on large samples and some on thin samples; some are special surveys on education and some on employment, unemployment and other aspects, which have adopted different definitions and methods of estimation. Hence, caution is suggested in making strict comparisons over time.

Growth in Higher Education in India

The growth in higher education during the post-Independence period has been remarkable in terms of number of universities, colleges, students and teachers. Compared to 20 universities at the time of Independence, at present, there are more than 700 universities, including institutions deemed to be universities and university level institutions. The number of colleges has increased from less than 500 to more than 37,000 during the same period, and enrolments have increased to nearly 21 million from less than 200,000 in 1947–48. Presently, there are nearly one million teachers in higher education. The gross enrolment ratio in higher education stood at 21.1 per cent in 2012–13 compared to 1.5 per cent in 1960–61 (Table 3.1).

With such phenomenal growth, the higher education system in India has emerged as the second-largest system in the world after China, producing the second- or third-largest stock of scientific and technical manpower. This spectacular growth has also helped the nation achieve self-reliance in manpower needs and even 'export' manpower to the advanced countries. The number of graduates produced in the system is so large that the emigration of graduates to other countries is no more regarded as 'brain drain', as a problem. The massive expansion of higher education has also helped democratise the higher education system to some extent, which was highly elitist and restricted to the high-income groups at the time of Independence. Today, about 40 per cent of the students in higher education are women, and about one-third are from weaker socio-economic strata of the society. The growth in higher education also

TABLE 3.1: Growth of Higher Education in India

	Universities	*Colleges*	*Teachers (thousands)*	*Enrolment (million)*	*Gross enrolment ratio (%)*
1950–51	28	578	24	0.17	1.5
1960–61	45	1,819	62	0.56	4.2
1970–71	93	3,277	190	1.96	4.7
1980–81	123	4,577	244	2.75	5.9
1990–91	184	6,627	271	4.4	8.1
2000–01	254	10,152	395	8.94	15.0
2010–11	559	32,964	—	—	—
2011–12	700*	35,539	933.7	21.7	21.1*

Notes: * Refers to 2012–13.
—Not available.

Source: *Selected Educational Statistics*, MHRD, Government of India, New Delhi, various years; *Annual Report(s)*, UGC, New Delhi, various years; and *Twelfth Five-Year Plan*, Planning Commission, New Delhi, 2013.

made a significant contribution to the socio-economic and political development of the nation. Its contribution in strengthening the democracy and ensuring political stability is also very significant.

However, the growth in higher education has not been problem-free nor is it even. Certain aspects of growth are quite marked. But for the first two decades of development planning in India, the growth rates in higher education were modest, until the beginning of the last decade of the twentieth century. The rate of growth in enrolments nearly doubled between 1990–91 and 2000–01. In fact, much of the growth took place between 1995–96 and 2010–11. The sudden rise in demand for higher education caused the setting up of new colleges and universities. The rates of growth in a number of colleges and universities have doubled in the present decade compared to the previous decade. Most of the new institutions that came up during the past two decades have been in the private sector, which itself had an effect on equitable access to higher education. The growth in the enrolments experienced in the earlier decade could not be sustained in the present decade. Growth in the number of teachers has never kept pace with the growth in enrolments, resulting in a steady increase in pupil-teacher ratios in higher education, which has its own effect on the instructional process and overall quality of higher education. Further, except for the decade of 1960–61 to 1970–71, the growth in the number of teachers has been below the rate of growth of the number of colleges and universities. Similarly, except for the two recent decades, growth in the number of higher education institutions—universities and colleges—has been below that of enrolments, also reducing the overall accessibility of higher education. However, during the present decade, a large number of colleges and universities were set up, and the rate of growth far exceeded the rate of growth in enrolments and number of teachers. But that the number of teachers has not proportionately increased suggests that the average number of teachers per university or college has declined. Growth in public expenditure has also not kept with pace with growth in student numbers or with the growth in the number of higher education institutions, resulting in sparse distribution of financial and physical resources. Further, the growth has been uneven across different social and economic groups of the population, between rural and urban regions and between several states. Though some progress has been made, inequalities in higher education are persistently high.

According to the gross enrolment ratios estimated based on NSS reports, compared 10 per cent of the 18–23 age group attending higher education in 1983–84, 23.1 per cent attended in 2009–10—in about 26 years, the ratio increased by three times. In contrast, the net enrolment ratio increased at a slower pace; it increased very modestly—from 8 per cent in 1999–2000 to 10.2 per cent in 2004–05, an increase of about two points in five years (Table 3.2).

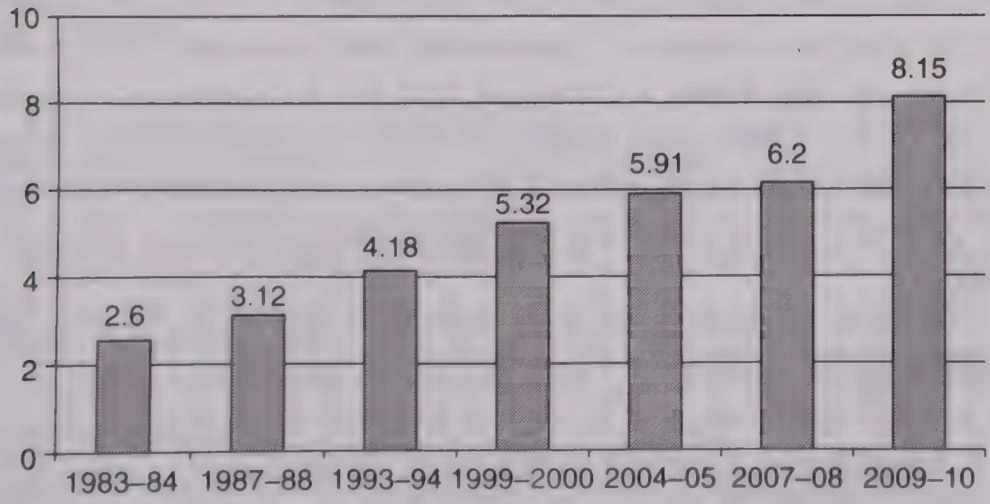
The eligible enrolment ratio is a better measure than the gross or net enrolment ratios as it refers to the students enrolled in higher education as a percentage of those who have successfully graduated from schools. On an average, according to available estimates, 53 per cent of high-school graduates were found to be entering higher education institutions in 2004–05. The remaining half might have opted out for different reasons, for example, to go to labour market for work, chose not to go for higher education (like women getting married), might not have been really eligible for higher education having graduated with very poor (just minimum pass) scores, found higher education costly, or there were other supply constraints. In general, one can state that, as only half the school graduates go for higher education, there is much scope to improve the eligible enrolment ratio.

Table 3.2: Growth in the Progress of Higher Education: All Population

Gross enrolment ratio (%)	*All population*
1983–84	7.67
1987–88	8.57
1993–94	8.85
1999–2000	10.08
2004–05	12.59
2009–10	23.05
Net enrolment ratio (%)	
1999–2000	8.60
2004–05	10.18
Eligible enrolment ratio (%)	
2004–05	52.6
2009–10	92.5
Transition ratio (%)	
2009–10	19.4

Estimates on a slightly different indicator, namely the transition rates, are also worth examining. Generally, transition rates are defined as enrolments in the first year of higher education as a proportion of enrolments in the final year of school-level education. Constrained by the unavailability of the required data, Azam and Blom (2009) have redefined transition rate as the total population in the age group 18–23 who either attended or have completed higher education as a proportion of population in the same age group who have completed higher-secondary education. This is, thus, not confined to fresh entrants in higher education in the numerator or to just who were in the final grade of secondary education in the last year in the denominator. It includes a small part of the stock of school/higher education graduates. The transition rate thus defined is estimated to be fairly high, higher than the eligible enrolment ratio. This ratio was 67.4 per cent in 1993–94, which increased to 71 per cent by 2004–05 after a marginal decline to 65.2 per cent in 1999–2000. These suggest that a high proportion like 70 per cent of the high school graduates took admission in higher education institutions. This is seemingly very high. A more accurate estimate is made here based on the enrolment of 18 year olds in the first grade of higher education as a proportion of the total population in the age group of 18–23 who have completed higher-secondary education. This is better than the way in which Azam and Blom (2009) have measured the ratio, but it is also not perfect (Tilak and Biswal 2013). However, given the constraints on data, this can be treated as more reliable. Unless otherwise mentioned, the transition rates thus estimated are analysed here, but they refer to 2009–10. We refer also to the estimates of Azam and Blom as no other estimates are available for the earlier periods. For the total population, this ratio is found to be very small—19.4 per cent in 2009–10.[8]

FIGURE 3.1: Growth in Higher Education Attainment among Adults (15–64 Years)



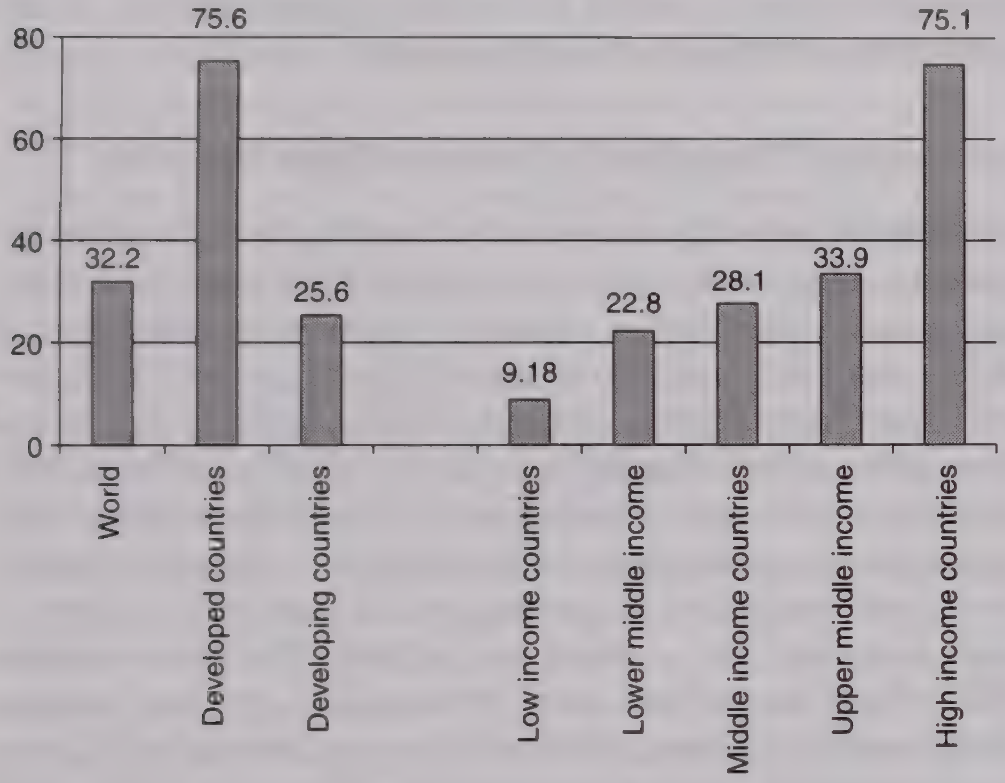
Progress in enrolments finally gets reflected in the stock of higher-educated people in the country. This is considered the most reliable indicator to describe the status of higher education in any society. Hardly 8 per cent of the population in the age group 15–64 in the country in 2009–10 was found to be educated at the higher level. The corresponding ratio was 2.6 per cent in 1983 (Figure 3.1). All these numbers indicate improvement over the years, but these are small improvements.

Is the Growth in Higher Education Adequate?

Despite huge numbers and their growth, the system of higher education is believed to be highly inadequate, as some of the ratios described above already clearly suggest. Not only with respect to the stock of the educated population, evidence on the flow variable also shows that the higher education system is highly inadequate. The gross enrolment ratio in higher education is around 20 per cent according to estimates of the MHRD, Government of India. Alternative estimates based on NSS data too more or less correspond to these and the Census-based estimates if we ignore differences by one or two points.[9] The enrolment ratio in higher education in many other countries is much higher—it was above 75 per cent in developed/high-income countries, the average for the developing countries was 24 per cent and the world average was 31 per cent in 2011 (UIS 2014). It can be noted that in no developed country the enrolment ratio was below 40 per cent. Based on the examination of international evidence, it can be observed that an enrolment ratio like 40 per cent forms a threshold level for a country to cross the stage of the 'developing country'—and a ratio consistently above 40 per cent might be an essential condition for sustainable high rates of growth to become, and more importantly remain, a developed country.

With a three-time increase between 1983 and 2009–10, the percentage of adults (15+) who had higher education in 2012 stood at 8.2 per cent (Figure 3.2). This is found to be highly inadequate for a fast-developing country that aims at becoming a knowledge economy. In the US, 42 per cent of everyone in the age group 25–64 had tertiary education in 2010. The corresponding rates in other advanced countries were 54 per cent in the Russian Federation, 51 per cent in Canada, 46 per cent in Israel and 45 per cent in Japan. The Organisation for Economic Cooperation and Development (OCED) average was 31 per cent (OECD 2012: 36).

FIGURE 3.2: Gross Enrolment Ratio in Higher Education in World Regions, 2012



Source: UIS (2014).

An equally, if not more, important problem of higher education in India refers to the quality of education. It is widely held that though there are a few pockets of excellence, many institutions of higher education in the country are indeed sub-standard in their quality, producing unemployable graduates. The fact that no Indian higher education institution figures among the top 200 in global rankings of universities is also widely noted (Tilak 2014). The need to improve the quality of infrastructure and teachers in higher education, and thereby the quality of the graduates, is obvious. While the figures mentioned above refer to all groups of the population on average, there are wide differences between several of these groups—some of them fare much worse than others.

On the whole, the quantity and quality of the system of higher education in India, reflected in huge numbers, are highly inadequate for rapid economic growth, to face global challenges, to reap gains from policies of globalisation and international competition, for reducing regional, social and economic inequalities, for sustainable high levels of human development and for building an equitable system of higher education that ensures opportunities for all and helps in the creation of a knowledge society.

Persistence of Inequalities in Access to Higher Education

Probably the most important problem faced by the higher education system in India is the persistence of inequalities in access to higher education. Inequalities in access to higher education result in socio-economic inequalities in the society at large, which, in turn, accentuate inequalities in education. In fact, it is a cyclic chain of inequalities: where inequalities in access to higher education result in inequities in access to labour market information, which result in inequalities in employment and participation in the labour market, leading to inequalities in earnings, which contribute, in turn, to socio-economic and political inequalities. The socio-economic and political inequalities again are translated into the education sector, resulting in inequalities in education. Inequalities in access to education reflect loss in individual as well as social welfare. That economic returns to investment in education of the weaker sections are estimated to be higher than those of their counterparts (Tilak 1987) implies that inequalities in education would cause huge losses in national output; and that inclusive strategies that contribute to equity should be viewed favourably, not only from the point of view of social justice but also in terms of economic well-being as the total equity gains might surpass the losses in efficiency, if any (Patnaik 2012).

Gender Inequalities in Higher Education

One of the most important dimensions of inequality is between men and women. Women are generally found to be lagging behind men in every sector including higher education in India as in many countries, though reverse trends could be observed of late in a good number of countries. During the post-Independence period, there has been significant improvement in women's participation in higher education. Women constituted 43 per cent of the total enrolments in higher education in 2011–12, while there were only 14 women per 100 men in higher education in 1950–51, according to the available statistics (UGC 2013). Thus, compared to the earlier decades, this marks a significant improvement. While 43 per cent is an all-India average across all disciplines, there are wide variations between different states and also across disciplines. Women students constituted 11 per cent in engineering/technology, 4 per cent in medicine and less than 5 per cent in education. Nevertheless, the overall level of participation of women in higher education has improved remarkably and the current overall level is quite impressive. Further, research studies (for example, Basant and Sen 2012) have also shown that 'after controlling for other factors, the chances of women participating in higher education are higher than that of men', meaning that the generally observed inequalities by gender in higher education need to be interpreted with caution.

The gross enrolment ratio among men increased from 10.9 per cent in 1983–84 to 27 per cent in 2009–10—an increase by 2.5 times in about two decades and a half. In contrast, only 19 per cent of the women in the relevant age group were enrolled in higher education in 2009–10. But what is strikingly clear is that there has been a rapid progress in the enrolment ratio among women compared to men. The gross enrolment ratio for women increased by more than four times. As a result, gender inequalities in gross enrolment ratio came down very significantly during this period. A simple coefficient of inequality (ratio of male enrolment ratio over female enrolment ratio) declined from 2.4 in 1983–84 to 1.4 in 2009–10 (Table 3.3).

The estimates available on net enrolment ratios, however, indicate that between 1999–2000 and 2004–05, the increase in enrolment ratios is very small in case of both men and women; it barely increased by 2 per cent points in either case and the level of inequality remained the same. The male-female differences were much lower in case of eligible enrolment ratios. While 49 per cent of eligible women joined higher education institutions, the corresponding ratio was marginally higher for men—56 per cent, which is a difference of about 7 per cent points. Gender variations were the least in transition rates, which was 19 per cent in case of women and 20 per cent in case of men in 2009–10.

The percentage of adults (15+ years) with higher education reflects cumulative growth. The absolute rates of higher education attainment have increased in case of both men and women, but there has been faster growth in case of women.

TABLE 3.3: Enrolment Ratio in Higher Education, by Gender

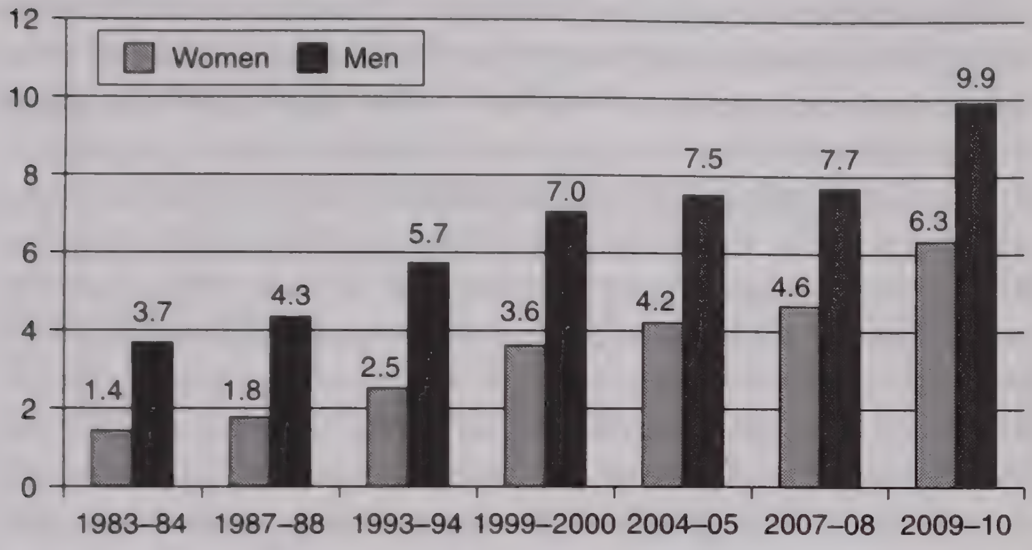
Gross enrolment ratio (%)	*Women*	*Men*	*Coefficient of inequality*
1983–84	4.49	10.87	2.4209
1987–88	5.37	11.82	2.2011
1993–94	5.9	11.7	1.9831
1999–2000	8.0	12.1	1.5125
2004–05	10.4	14.8	1.4231
2009–10	18.7	27.0	1.4402
Net enrolment ratio (%)			
1999–2000	6.8	9.4	1.3807
2004–05	8.5	11.8	1.3905
Eligible enrolment ratio (%)			
2004–05	48.6	55.6	1.1440
Transition ratio (%)			
2009–10	19.0	19.7	1.0374

Note: Coefficient of inequality is simply the male-female ratio.

Compared to enrolment ratios, a higher degree of inequality is reflected in the rate of higher education attainment—a stock indicator—among the population of the age group 15–64, though inequality with respect to this rate has declined over time. Among men, 3.7 per cent of adults had higher education in 1983–84; the ratio rose to 9.9 per cent by 2009–10, a 3.7 times increase within a span of 26 years. By contrast, the ratio of women who had higher education increased 4.5 times during this period, reaching a level of

6.3 in 2009–10. This indicates a sharp decline in gender inequality over the years—from 2.6 to 1.6 per cent (Figure 3.3).

FIGURE 3.3: Growth in Higher Education Attainment among Adults (15–64), by Gender



The rapid improvement in the status of women in higher education and the resultant remarkable decline in gender inequality might be attributed to several factors, including specific public policy measures that aimed at promoting women's education. Many states provide free higher education (at least up to the first-degree level) and scholarships to women. There are also colleges exclusively meant for women in a majority of the states—they constituted 12 per cent of all colleges in the country in 2011–12—and there are also a few universities for only women as well. Some states offer reservations for women in admission in higher education institutions. Special measures and special thrust on the education of girls at the school level have also helped in increasing the participation of women in higher education. On the whole, the policy environment has been generally favourable to women's education during the post-Independence period.

Inequalities by Social Groups

It is widely recognised that inequalities across social groups are multi-dimensional and difficult to capture empirically. Inequality by caste is a major phenomenon in India and is also subject of extensive rigorous research, policymaking and policy analysis. Caste is considered one of the most important determinants of perceived social status in India (Bros 2014) and 'too strong to be suppressed permanently' (Deshpande 2012). The Scheduled Castes and Scheduled Tribes have traditionally been regarded as the most backward sections of Indian society; they have been subject to discrimination in social, political and economic spheres for a long time and in order to correct some of these historical disadvantages, reservations have been provided to these groups in education and employment. Some more castes are recognised as the 'Other Backward Classes/Castes'. Following the Mandal Commission Report (Government of India 1980), adopted by the Government of India, the reservation policy was extended to a few 'other' backward castes. Some of the minority religious groups, like the Muslims, have been lagging far behind others in educational development. The report of the Sachar Committee (Government of India 2006) has highlighted this in the recent years. It has also become an important issue in research, and also an important policy issue (Hasan 2012). It is often quoted that the Scheduled Castes constituted only 12 per cent of the total enrolments in higher education in 2011–12, while the Scheduled Tribes accounted for 4.5 per cent; in case of Muslims too this proportion was small.

A more meaningful analysis can be based on enrolment ratios and the rates of higher education attainment. This is attempted in the following sections.

Inequalities by Caste

The enrolment ratios of Scheduled Castes and Scheduled Tribes have been consistently much below those of the non-scheduled population or the total population on average. But both the Scheduled Castes and Scheduled Tribes have made significant advancement—the enrolment ratios of the respective populations increased by four to five times in about two-and-a-half decades between 1983–84 and 2009–10. The growth was relatively fast in case of the Scheduled Tribes, though in absolute terms, their enrolment ratio was less than that of the Scheduled Castes. As a result, the differences between the Scheduled Castes and Scheduled Tribes have come down; and also the differences between the scheduled and non-scheduled populations have declined. However, it must be added that (a) the enrolment ratios among both the Scheduled Castes and Scheduled Tribes are low and (b) significant inequalities still persist between the scheduled and non-scheduled population groups. The enrolment ratio in 2009–10 was nearly 12 per cent among the Scheduled Tribes and 15 per cent among the Scheduled Castes compared to 23 per cent for all (Table 3.4).

TABLE 3.4: Progress in Enrolment Ratios (%) in Higher Education, by Caste

Gross enrolment ratio	*SCs*	*STs*	*OBCs*	*Non-SC/ST*
1983–84	3.7	2.4	—	9.0
1987–88	4.0	3.0	—	10.2
1993–94	3.8	3.4	—	10.6
1999–2000	5.1	6.4	7.0	11.9
2004–05	7.9	7.3	10.1	14.6
2009–10	14.8	11.8	22.1	—
Eligible enrolment ratio				
2004–05	51.2	61.5	50.1	53.9
Transition ratio				
2009–10	13.88	21.6	20.17	18.54*

Note: * Others.

Quite interestingly, there is not much variation in the eligible enrolment ratio between several caste groups. While it ranges between 50 and 54 per cent for the Scheduled Castes, for the Other Backward Classes and others (non-backward sections), the ratio is much higher—62 per cent in case of the Scheduled Tribes. Between various caste groups, the transition rate ranges between 14 per cent for the Scheduled Tribes and 22 per cent for the Scheduled Castes. The latter are ahead of all others.

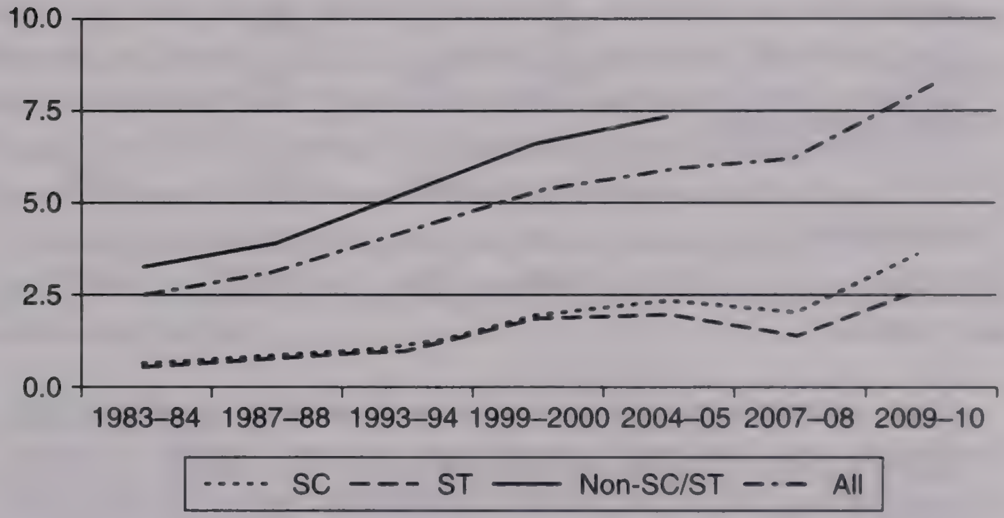
As the rates of higher education attainment are only a stock indicator of the progress made over the years, these also show a high degree of inequality but also rapid progress at the same time.

Less than 3 per cent of the Scheduled Tribes and just 4 per cent among the Scheduled Castes had completed their higher education by 2009–10. These figures in 2009–10 mark five times and 6.5 times increase in the stocks of the respective populations between 1983–84 and 2009–10 (Table 3.5 and Figure 3.4).

TABLE 3.5: Rates of Higher Education Attainment

	1983–84	*1987–88*	*1993–94*	*1999–2000*	*2004–05*	*2007–08*	*2009–10*
STs	0.55	0.86	0.98	1.91	1.94	1.4	2.8
SCs	0.60	0.85	1.11	1.97	2.38	2.0	3.9
All	2.60	3.12	4.18	5.32	5.91	6.20	8.15

FIGURE 3.4: Higher Education Attainment among Adults (15–64), by Caste



Data on 'other' backward castes are not available for all the years. Available data indicate that this group is generally ahead of the Scheduled Castes and Scheduled Tribes. For example, in 2004–05, nearly four in every 100 adults had higher education among the Other Backward Classes, compared to 2 per cent and less than 3 per cent among the Scheduled Castes and Scheduled Tribes, respectively. The situation was similar in 1999.

While the improvement in the status of education of the Scheduled Castes, Scheduled Tribes and Other Backward Classes, and in inequality between the scheduled population and non-scheduled population, is impressive, the absolute levels of educational status of the scheduled population are still far below those of their counterparts. As many (for example, Weisskopf 2004) have found, reservation policies, financial incentives and other measures have had a significant impact on improving the rates of participation of the scheduled population in higher education, but there still is a long way to go. A few studies (for example, Desai and Kulkarni 2008) have also noted no improvement and even mild deterioration in college graduation rates among Dalits, casting doubt on the effectiveness of these policies.

Inequalities Between Religious Groups

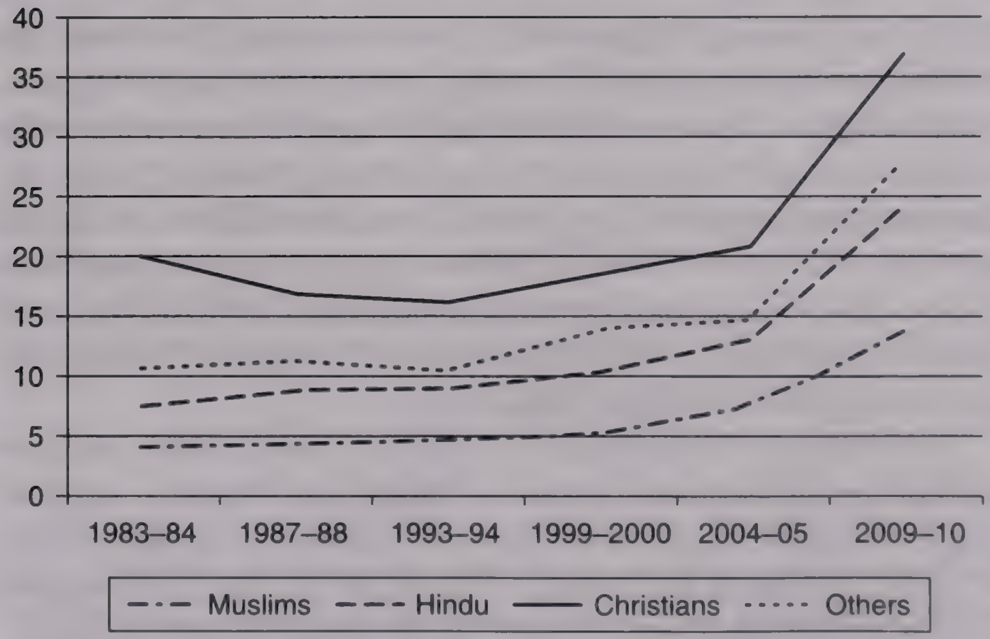
Inequalities in the gross enrolment ratio between various religious groups are much higher. Estimates on gross enrolment ratio are available for Hindus, Muslims, Christians and 'others'. The enrolment ratio among Muslims was only 14 per cent in 2009–10, while it was 24.2 per cent among Hindus and 37 per cent among Christians. The enrolment ratio among 'others', which includes the Jains, Sikhs, etc., was also high—28 per cent in 2009–10. The enrolment ratio was the highest among Christians and the least among Muslims (Table 3.6). The situation remained consistently same throughout the period between 1983–84 and 2009–10. While there has been improvement in case of all four groups between 1983–84 and 2009–10, the inter-group inequalities by religion have not declined much. In fact, the gap seems to have widened (Figure 3.5).

According to the estimates by Azam and Blom (2009), one does not find much inequality between Hindus and Muslims, with the transition ratio being around 70 per cent in 2004–05. Christians were, of course, far ahead with a ratio of about 80 per cent. Among both Hindus and Muslims, out of every 100 secondary school graduates, 71 per cent went in for higher education. The ratio was 80 per cent among Christians. But the overall refined estimates of transition rates in 2009–10 were very low—about 20 per cent among Hindus and Christians, 16 per cent among Muslims and 11 per cent among the others.

TABLE 3.6: Enrolment Ratio (%) in Higher Education, by Religion

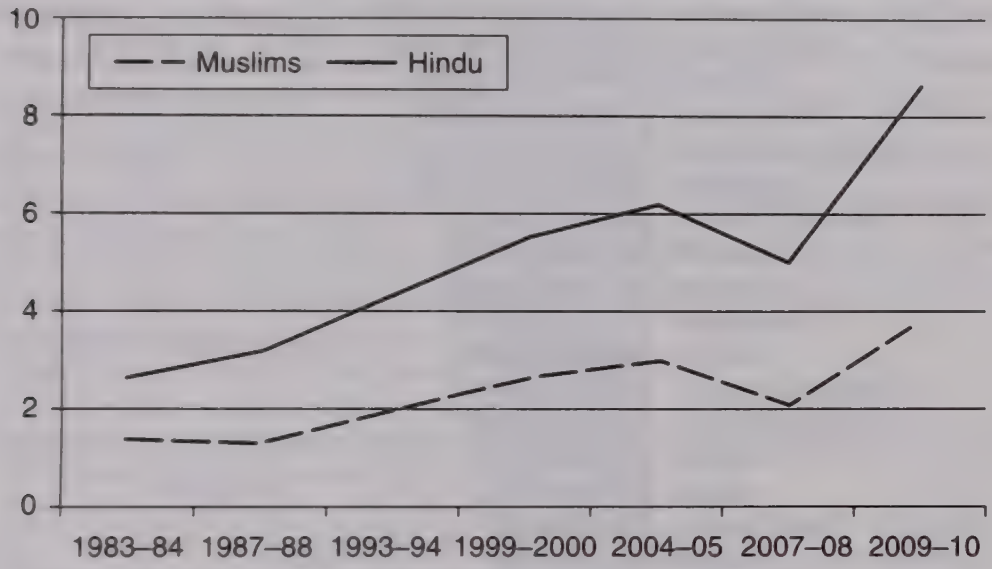
Gross enrolment ratio	*Muslims*	*Hindu*	*Christian*	*Others*
1983–84	4.1	7.5	20.0	10.6
1987–88	4.4	8.8	17.0	11.4
1993–94	4.6	9.1	16.2	10.5
1999–2000	5.2	10.4	18.6	14.0
2004–05	7.6	13.2	20.8	14.7
2009–10	13.8	24.2	36.9	28.0
Transition ratio				
2009–10	15.80	19.88	18.96	10.82

FIGURE 3.5: Gross Enrolment Ratio in Higher Education, by Religion (%)



Despite reasonably high and comparable transition rates, because of low gross enrolment ratio, Muslims did not fare comparably with Hindus or Christians with respect to the rate of higher education attainment. In 2009–10, while there were 12.5 per cent adult Christians who had higher education, the corresponding figures were 8.6 per cent among Hindus and 3.8 per cent among Muslims (Figure 3.6). The 'others' also had a high proportion of population—11 per cent with higher education. Further, inequalities seem to have widened between Muslims and Christians and also, to a lesser extent, between Muslims and Hindus.

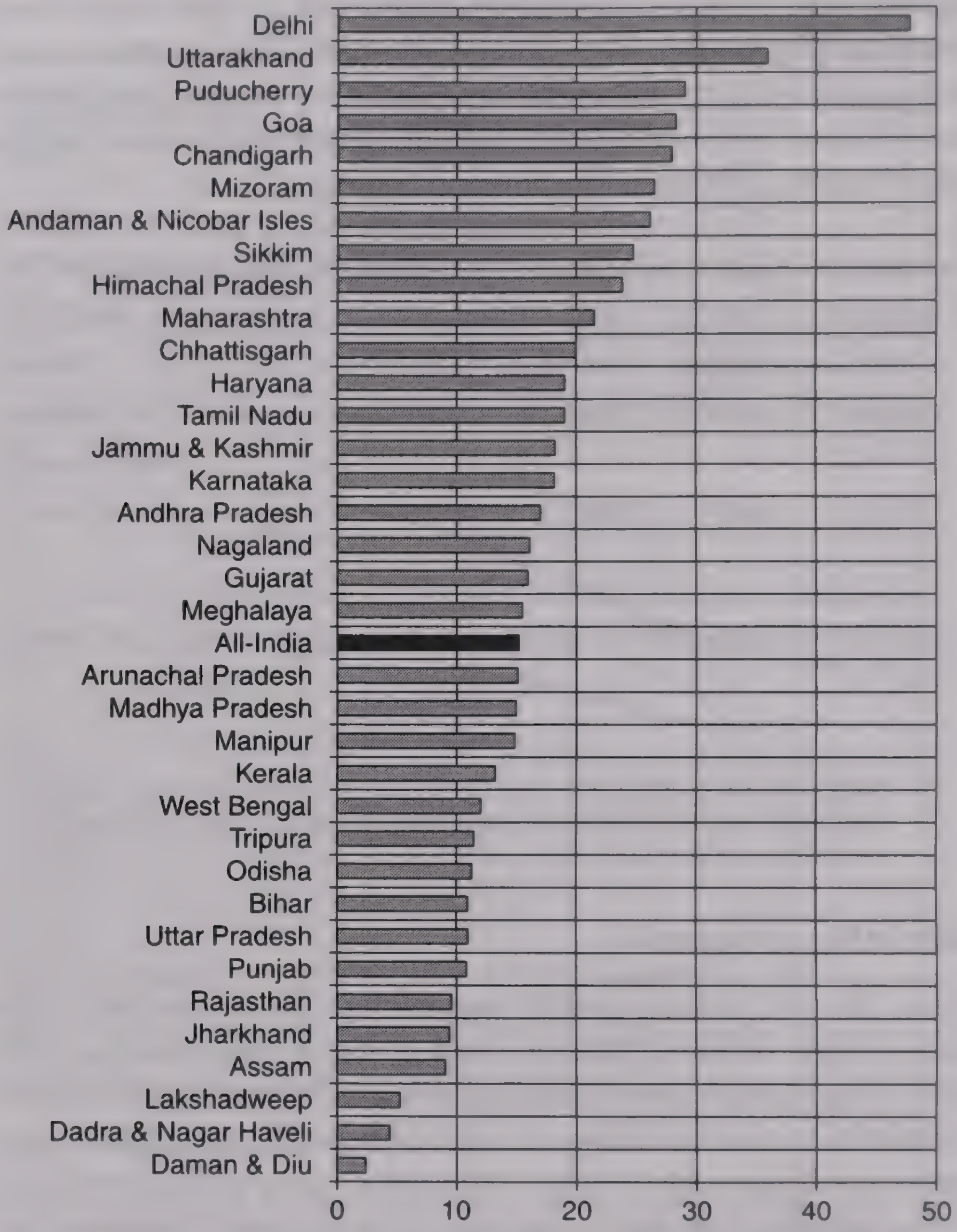
FIGURE 3.6: Higher Education Attainment (15–64), by Religion



Rural-Urban Disparities

Now, we will discuss spatial inequalities. There are wide gaps between the different states in India in higher education in terms of the number of universities and colleges, infrastructure in those institutions, student enrolment and even public expenditure. The gross enrolment ratio in higher education varies among the major states between less than or around 10 per cent in Jharkhand and Chhattisgarh on the one side and to above or around 40 per cent in Chandigarh and Tamil Nadu on the other side (MHRD 2014). Moreover, inequality between the states seems to have increased over the years, with the coefficient of variation increasing from 0.13 to 0.27 between 1986–87 and 2009–10 (Figure 3.7).

FIGURE 3.7: Gross Enrolment Ratio in Higher Education, 2009–10 (%), by States



Source: MHRD (2014).

There exist not only inter-state disparities but also a high-degree inequality between rural and urban areas in each state. Based on NSS data, rural-urban disparities at the all-India level are analysed here. In contrast to inequalities by gender, caste and religion, rural-urban disparities in enrolment ratios seem to be very high. While

39 per cent of the relevant age-group population in urban areas attended colleges/universities in 2009–10, this figure was only 16.5 per cent for the rural population. The ratio in urban areas was nearly 4.5 times higher than that in rural areas in 1983. In 2009–10, it came down to 2.3 times, suggesting a narrowing of the rural-urban divide. As Sopher's (1974) index of regional disparity shows, the degree of inequality between rural and urban areas declined over the years, but it was still quite high. The decline in inequality can be noted in the net enrolment ratio as well, though net enrolment ratios, by definition, are much smaller than gross enrolment ratios in both rural and urban areas. Between 1999–2000 and 2004–05, the urban-rural differences in the net enrolment ratio declined from nearly four times to three times. The eligible enrolment ratio was also lower in the case of the rural population compared to the urban population. But it differed by less than 10 per cent points in 2004–05—48 per cent in case of rural population *versus* 57 per cent in case of urban population (Table 3.7).

TABLE 3.7: Higher Education Attainment (Age Group 15–64), by Religion

	Muslim	*Hindu*	*Christian*	*Others*
1983–84	1.4	2.6	3.9	4.4
1987–88	1.3	3.2	5.1	4.5
1993–94	2.0	4.3	6.1	5.7
1999–2000	2.6	5.5	7.9	7.3
2004–05	3.0	6.2	7.7	8.8
2007–08	2.1	5.0	8.7	9.3
2009–10	3.8	8.6	12.5	10.7

Consistently high rural-urban inequalities could also be noted in the rate of higher education attainment, which increased from 1 per cent in rural areas in 1983 to 3.6 per cent in 2009–10, while in urban areas, it increased from 7.4 per cent to 19.1 per cent during the same period (Table 3.8). Although the rural-urban gap was reducing in terms of the rate of increase, it seemed to widen in terms of absolute differences (Figure 3.8). In general, the rate of improvement was slow and, more importantly, the absolute levels of higher education attainment in rural areas were very low (Figure 3.9).

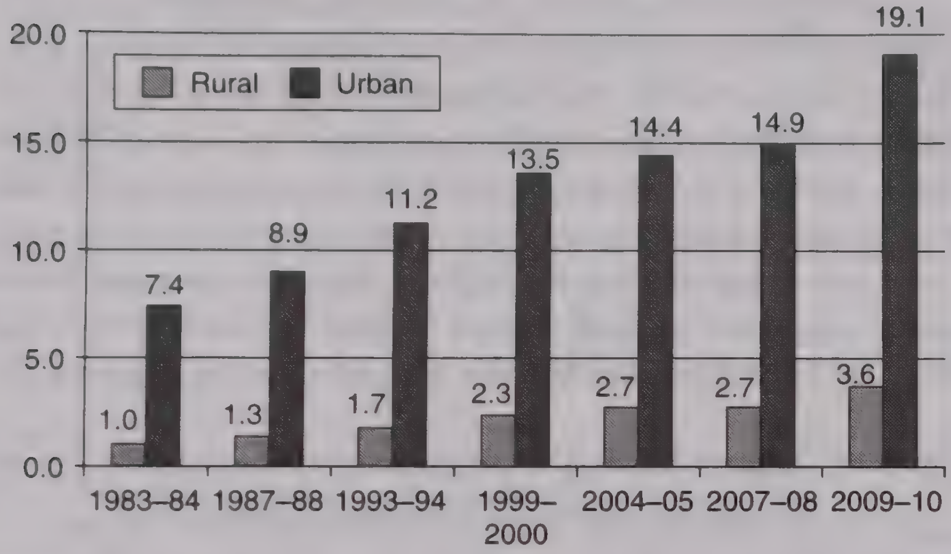
TABLE 3.8: Enrolment Ratio in Higher Education, by Region

	Rural	*Urban*	*Sopher's index of disparity*
Gross enrolment ratio			
1983–84	3.95	17.68	0.7179
1987–88	4.77	19.56	0.6971
1993–94	4.66	20.17	0.7134
1999–2000	5.38	20.44	0.6382
2004–05	7.51	23.79	0.5848
2009–10	16.52	38.48	0.4998
Net enrolment ratio			
1999–2000	4.52	17.51	0.6517
2004–05	6.24	18.86	0.5431
Eligible enrolment ratio			
2004–05	47.5	57.1	0.1676
2009–10	83.05	105.0	—
Transition ratio			
2009–10	19.52	19.24	–0.0078

Inequalities by Economic Classes

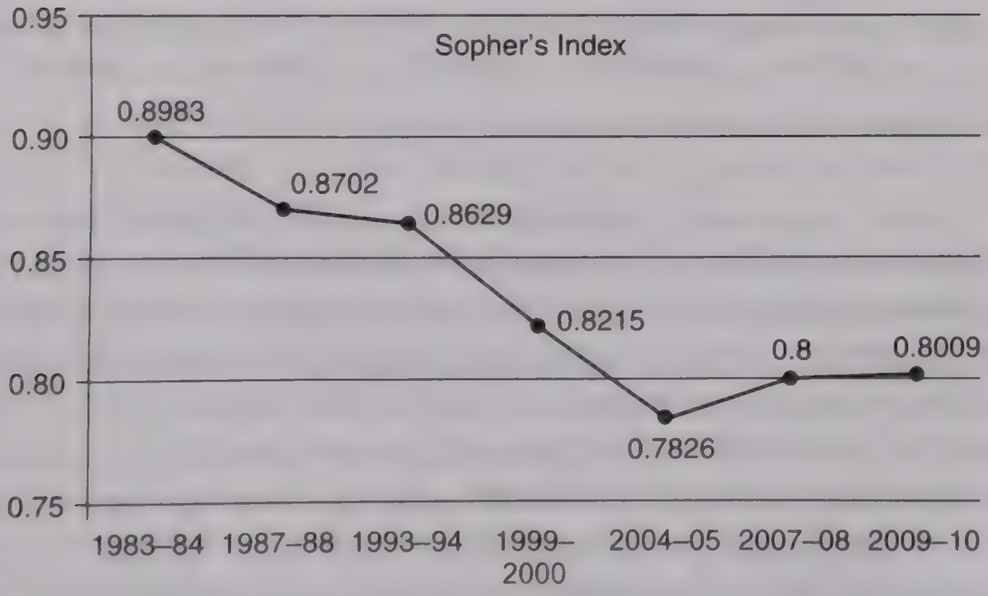
Estimates of various indicators of higher education development (and other indicators) based on the NSS data are available by household expenditure quintiles/deciles. A few scholars have used alternative indicators like assets (or asset index) to consider the economic levels of the households, but the monthly per capita consumption expenditure, on which NSS provides rich data, is used extensively in this regard. Here, we analyse the same NSS data by quintiles, where Q1 or the bottom quintile (0–20 per cent of the population) is the poorest, and Q5 or the top quintile (80–100 per cent) refers to the richest 20 per cent of the population.

FIGURE 3.8: Higher Education Attainment in the Rural and Urban Regions of India (15–64)



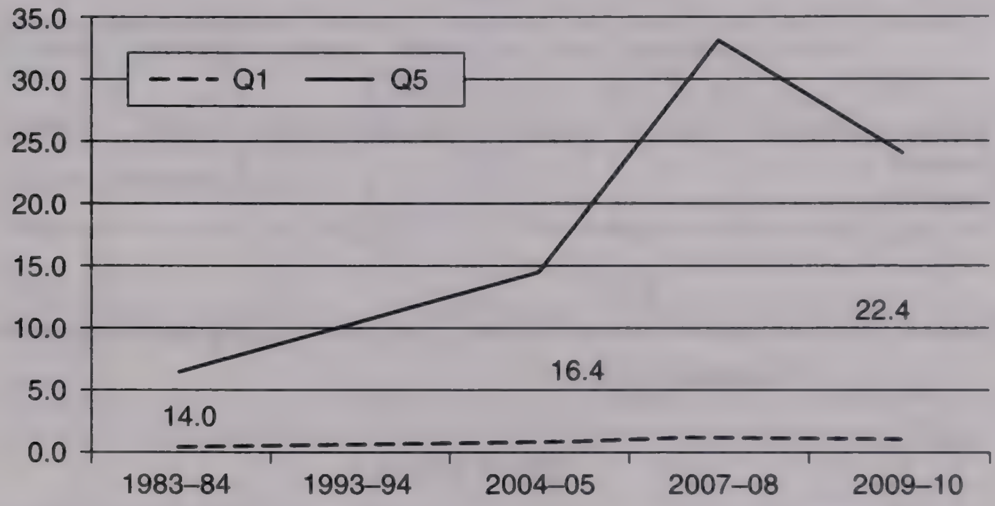
	1983–84	1987–88	1993–94	1999–2000	2004–05	2007–08	2009–10
Sopher s Index of Disparity	0.8983	0.8702	0.8629	0.8215	0.7826	0.8000	0.8009

FIGURE 3.9: Decline in Rural-Urban Disparity in Higher Education Attainment (15–64)



The gross enrolment ratios are the lowest among the bottom (poorest) quintile and highest among the top (richest) quintile. One finds a very systematic pattern of increasing enrolment ratios by every increase in the expenditure level of households, with no single exception. In other words, the enrolment ratio of the second quintile (from the bottom) has been higher than that of the bottom quintile; the ratio of the third (middle) quintile is consistently higher than that of the second quintile; and so on. The population belonging to the top income quintile has the highest ratio. This pattern did not change at any point of time that we studied between 1993–94 and 2009–10. At no point do we find the lines intersecting (Figure 3.10).

FIGURE 3.10: Higher Education Attainment among Adults (15–64) of the Bottom and Top Quintile Groups (%)



Note: Figures refer to ratios of differences (Q5/Q1).

More importantly, inequalities in enrolment ratios between the poorest and the richest quintiles increased over the years as the enrolment ratio among the poorest quintile declined between 1993–94 and 2004–05, while it increased in case of all other quintiles, with a disproportionate increase in the case of the richest quintile. The ratio in case of the richest group increased—from 26 per cent in 1993–94 to 37 per cent by 2004–05, while the ratio for the poorest fifth of the population declined from a bare 2 per cent to 1.8 per cent during this period (Table 3.9). In 2009–10, however, the ratio

TABLE 3.9: Enrolment Ratios in Higher Education, by Household Expenditure Quintiles

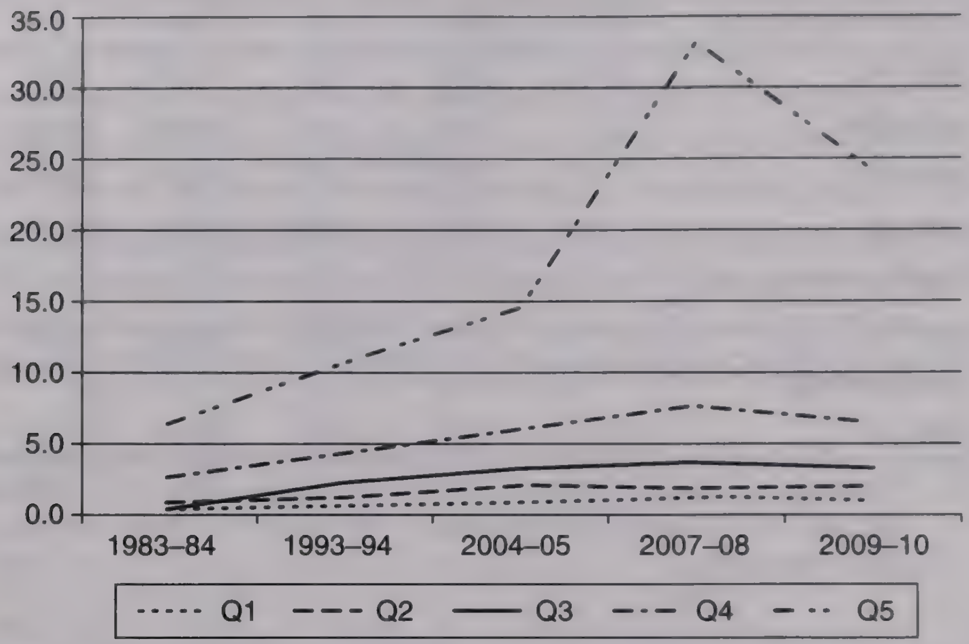
Gross enrolment ratio	*Q1*	*Q2*	*Q3*	*Q4*	*Q5*
1993–94	2.03	3.03	4.83	9.21	25.93
1999–2000	1.25	3.31	4.73	10.06	30.96
2004–05	1.80	4.10	6.11	11.87	36.75
2009–10	5.22	8.05	15.64	24.92	61.71
Eligible enrolment ratio					
2004–05*	30.50	41.90	38.80	46.80	52.60
Transition ratio					
2009–10	14.00	15.32	20.05	18.61	21.81

Note: * Defined by absolute levels of MPCE as follows: Q1: < Rs 359.10; Q2: Rs 359.11 – 461.14; Q3: Rs 461.15 – 587.34; Q4: Rs 587.35 – 8,390.49; Q5: > Rs 8,390.49.

for the richest quintile increased to as high as 62 per cent, which was comparable to the ratio of some advanced countries. The ratio between the top and bottom quintiles, which can be considered a coefficient of inequality in gross enrolment ratio increased from 12.8 in 1993–94 to 20.4 in 2004–05 (Figure 3.11). However, this simple indicator of inequality in 2009–10 was somewhat close to the level of 1993–94, meaning that inequalities had not declined over the years. In fact, as shown above, they increased between some years. The gross enrolment ratio between 1999–2000 (or 1993–94) and 2004–05, and transition rates for the poorest group, fell while they increased for other quintiles (except the third quintile, in which the rate declined by less than 1 per cent point).

Unlike the difference in transition rates of social groups by caste, religion and gender, the differences in expenditure between quintiles are much larger. As high as 80 per cent of the richest expenditure quintile that completed secondary education went on to pursue higher education in 2004–05; this proportion was only 52 per cent in case of the poorest quintile, according to the estimates of Azam and Blom (2009). Further, we find a decline in the transition rate among the bottom quintile from 54 per cent in 1993 to 52 per cent in

FIGURE 3.11: Higher Education Attainment among Adults (15–64) By Quintile Groups (%)



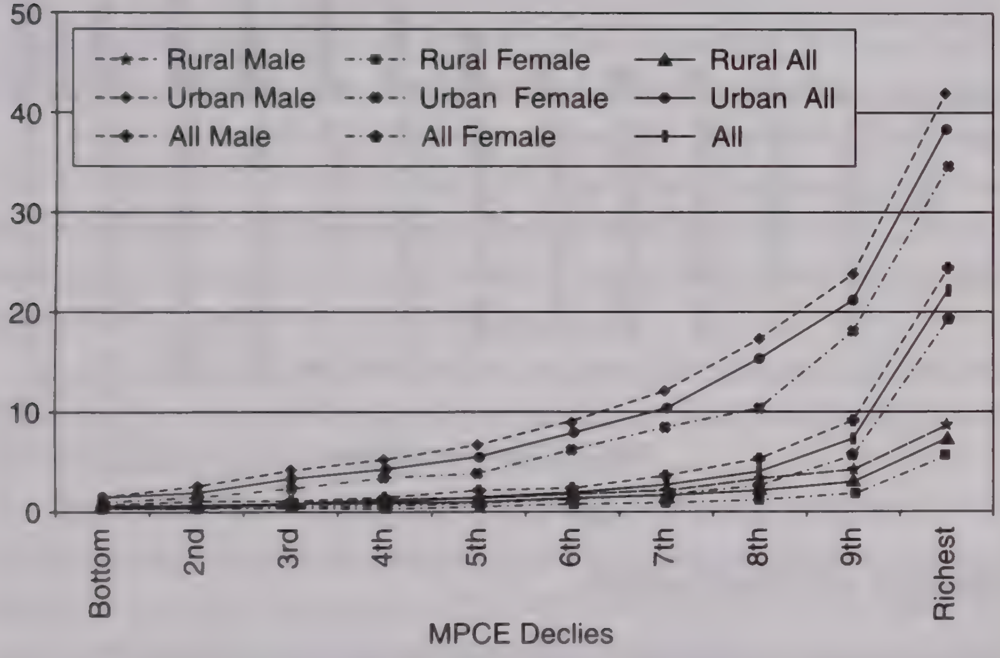
2004–05. We also note a systematic pattern of increasing transition rates by increasing expenditure quintiles. According to the redefined rate of transition, it varied between 14 per cent among the bottom quintile and 21 per cent among the top quintile in 2009–10.

The percentage of the adult population (15+ years) that completed higher education also increased systematically with increasing levels of expenditure quintiles (Table 3.10). In the bottom quintile, 11 out of every 1,000 people had completed higher education in 2009–10, an increase from 4.7 per 1,000 in 1983–84. The bottom quintile or even the bottom two quintiles (that is, the poorest 40 per cent of the population) had made very little progress. In comparison, the progress made by the richest quintile was 3.7 times during this period, the proportion increasing from 6.6 per cent in 1983 to 24.2 per cent in 2009–10. In other words, the gap between the bottom quintile and the richest quintiles widened further. In 1983, the difference between the two was of the order of 14 times, while it became 22 times by 2009–10. A similar increase in the gap can be found even when we look at the progress made by the bottom 40 per cent of the population versus the top 40 per cent.

TABLE 3.10: Higher Education Attainment among Adults (Age Group 15–64), by Household Expenditure Quintiles

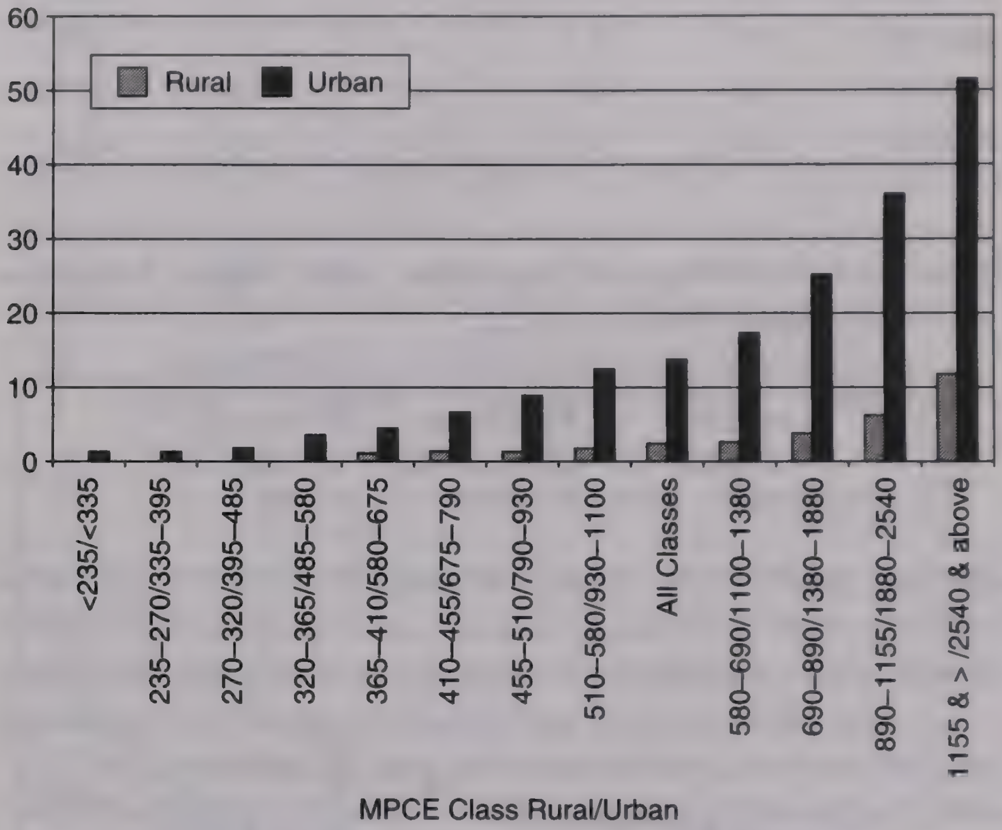
	Q1	*Q2*	*Q3*	*Q4*	*Q5*
1983–84	0.5	0.8	0.5	2.8	6.6
1993–94	0.6	1.2	2.4	4.3	10.7
2004–05	0.9	1.9	3.4	6.2	14.6
2007–08	1.2	1.8	3.7	7.8	33.3
2009–10	1.1	2.0	3.2	6.5	24.2

FIGURE 3.12: Percentage of Population with Higher Education, 2007–08



The systematic pattern of increasing rates of higher education attainment by household expenditure deciles is clearly pronounced both in rural and urban areas (Figure 3.12). If we further classify the same by gender and take a disaggregated look at the data, we find very systematic pattern of increasing rates of higher education attainment with increase in levels of expenditure in every sub-category, with no single exception (Figure 3.13). Further, we also notice no intersection of the lines in Figure 3.13, showing an overall clear and persistent hierarchy in higher education attainment—urban males in every economic category are at the top, followed by urban females, rural males and rural females.

FIGURE 3.13: Percentage of Higher Educated (Graduates and Above) Persons (15+) in Population, 2004–05



Summary and Conclusions

Inequalities in education emanate not only from social and economic inequalities, but also contribute to further accentuation of social and economic inequalities. In the broad context of inclusive growth policies in India, with the help of valuable NSS data on several rounds between 1983 and 2009–10, in this chapter an examination was attempted of the growth and inequalities in higher education in India. The NSS data were supplemented by available data from the MHRD, Government of India, UGC and estimates made by other researchers in this regard. This chapter is mainly concerned with inequalities in higher education based on gender, social groups (caste and religion), region (rural and urban) and economic status of the population (classified by their monthly per capita household consumption expenditure), each separately, though it is acknowledged that there is mutual reinforcement of inequalities among them.

We also concentrated on two important indicators of higher education—gross enrolment ratios (as well as net and eligible enrolment ratios and transition rates are also referred to) and higher education attainment percentage of adult population that has completed higher education)—while examining whether inequalities in higher education have increased or declined over time. But for minor differences, evidence on all indicators has yielded similar conclusions and we observe somewhat consistent patterns in terms of both growth and inequalities. The analysis also throws light on which groups have improved the most over the years in their higher education status and inequalities between which groups have declined or increased. However, this study concentrated on formal access to higher education, not going into the examination of dimensions relating to substantive access, except examining transition rates and rates of higher education attainment, which partly capture some of these aspects.

From the long array of tables and graphs presented above, the following can be described as the main features and trends in growth and inequality in higher education in India.

There has been rapid growth in higher education in India. But the experienced growth is inadequate. The overall gross enrolment ratio is around 21 per cent in 2012–13, which is much less than the world average and even the average of developing countries. It is also less than what is needed for sustainable high economic growth, and for transforming India into a 'knowledge economy' and an advanced or semi-advanced society. It may also be reiterated that it is not just higher education but quality higher education that is important.

The eligible enrolment ratios and also transition rates are found to be reasonably high, but there is scope for improvement in these ratios as well. In 2004–05, the eligible enrolment ratio was about 50 per cent, while transition rates were around 70 per cent. Transition rates referred to here are derived from the estimates made by Azam and Blom (2009) using a definition that is not strictly in conformity with the standard definition used in the literature on educational planning. A more reliable estimate of transition rate seems to put it to around only 20 per cent. The seemingly high eligible enrolment ratios, and wide differences between estimates of transition rates based on alternative definitions, may suggest the need for proper definitions and measurement of these ratios.

In terms of the stock of higher-educated people in the country measured by the rate of higher education attainment, the absolute levels achieved are low, as is the progress made over the years. Overall, only 8 per cent of the adult population (age group 15–64 years) completed higher education in 2009–10. This proportion in many of the advanced countries was at 40 per cent.

Growth in higher education does not seem to have resulted in reduction in inequalities in a significant way. Every group of population registered modest to significant levels of progress in case of enrolment ratios and rate of higher education attainment but inequalities in higher education seemed to be persisting by social groups (caste and religion), by gender, by region (rural and urban) and between the rich and the poor. In case of both gross enrolment ratio and higher education attainment, the direction of the progress—increase or decrease in inequalities—was similar. A comparison of the rates of higher education attainment for the population of the age group 25–34 with that corresponding to the population of 15–64 may indicate changes over generations to some extent. Comparable estimates for 2004–05 show that out of the younger population (25–34), a higher proportion of the people had higher education, compared to the total active adult population (15–64), as shown in Table 3.11. This is true with respect to every sub-group of the population. That the younger age group has higher rates of higher education attainment than the total adult population suggests improvement over the years for all groups of the population. It is also clear that inequality between the different groups tends to decline, though not very significantly.

Despite the overall rapid growth in higher education, inequalities seem to be persisting. The reasons, *inter alia*, could be that much of the growth in higher education has been in the private sector, which

TABLE 3.11: Higher Education Attainment in 2004–05: Comparisons of Different Age Groups

	15–64	*25–34*
All	5.91	8.70
Male	7.50	11.00
Female	4.20	6.60
Inequality: Male/female	1.786	1.667
Rural	2.70	4.40
Urban	14.40	20.00
Inequality: Urban/rural	5.333	4.545
Scheduled Castes	2.38	3.90
Scheduled Tribes	1.94	2.60
Non-scheduled	7.29	10.70
Inequality Non-scheduled/SC	3.063	2.744
Inequality: Non-scheduled/ST	3.758	4.115
Hindus	6.20	9.20
Muslims	3.00	4.20
Christians	7.70	10.90
Others	8.80	12.80
Inequality: Hindu/Muslim	0.484	0.457
Q1 (Bottom/Poorest quintile)	0.89	1.50
Q2	1.91	3.30
Q3	3.37	5.60
Q4	6.16	10.10
Q5 (Top/Richest quintile)	14.63	23.00
Inequality: Q5/Q1	16.438	15.333

Source: Based on Azam and Blom (2009).

does not concern itself with inequalities. Second, the reduction in public subsidies and high rates of cost recovery may also account for slow improvement in inequalities. Moreover, it may be observed that even when we noted improvement, it is only with respect to simple or formal access, but not substantive access, provision of which requires a variety of innovative measures that enable the weaker sections to fully and meaningfully benefit from the state policies and provisions. The chapter has not, however, sufficiently dealt with this dimension.

Who Improved Most?

According to the relative definition of inclusive growth that we described in the first section, inclusive growth requires that not only all sections of the society improve over the years but also the rate of improvement be faster in case of the weaker sections than their counterparts. We have noted that all sections of society have improved their relative status with respect to both gross enrolment ratio in higher education and higher education attainment over the years. Simple rates of growth in the gross enrolment ratio and in higher education attainment between 1983–84 and 2009–10 are estimated in Table 3.12. These are based on the figures relating to the base and final years. They are also simple average rates of growth. The growth of no particular group of the population was smooth during the period.

First, with respect to the gross enrolment ratio, women improved at a rate of growth of 12.2 per cent per annum compared to men, who experienced a rate of growth of only 5.7 per cent during the same period. Among the different caste groups, the 'other' backward castes experienced the highest rate of growth between 1999–2000 and 2009–10. Keeping the 'other' backward castes aside for a moment, one can find that the Scheduled Castes and Scheduled Tribes also grew at a very impressive rates of 12 to 15 per cent compared to a mere 3 per cent growth among non-scheduled population. There are no significant differences in rates of growth in enrolment ratios among Muslims and Hindus. Both groups progressed at a rate of growth of about 9 per cent, with Muslims experiencing a marginally higher rate of growth. Similarly, the rural population has registered a higher rate of growth compared to the urban population. In a sense, these rates of growth suggest that there has been pro-poor growth considering that the rate of growth of the marginalised sections was higher than that of their counterparts. But the same cannot be stated about the economic groups of the population. The third quintile progressed faster than the others. The middle 60 per cent of the population experienced higher rates of growth than the bottom and even richest quintiles.

TABLE 3.12: Who Improved Most? Simple Rate of Growth per Year (%) from 1983–84 to 2009–10

	Gross enrolment ratio	*Higher Education Attainment*
All	7.71	8.21
Gender		
Women	12.21	13.46
Men	5.70	6.44
Caste		
Scheduled Castes	11.55	13.94
Scheduled Tribes	15.05	14.97
'Other' backward castes	21.66	—
Non-scheduled**	2.96	4.89
Religion		
Muslims	9.09	6.59
Hindus	8.55	8.88
Christians	3.24	8.48
Others	6.33	5.50
Region		
Rural	12.24	10.00
Urban	4.52	6.08
Economic groups (1993–94 to 2009–10)		
Q1 (Bottom Quintile)	9.82	5.16
Q2	10.35	5.77
Q3	13.99	22.34
Q4	10.67	5.24
Q5 (Top/Richest Quintile)	8.62	10.30

Notes: * 1999–2000 to 2009–10.
** 1983–84 to 2004–05 for GER.

We find a more or less similar pattern with respect to the rate of growth in higher education attainment, a stock variable. Except for the economically weaker sections and marginalised religious groups, all other disadvantaged sections of society—women, Scheduled Castes, Scheduled Tribes and the rural population—registered higher rates of growth than their respective counterparts. Among the religious groups, the Hindus and Christians were much ahead of all others; and Muslims were ahead of 'other' religious groups. The economic groups of the population formed a notable exception. While the middle quintile experienced the highest rates of growth in higher education attainment, the bottom quintile experienced the least. The top quintile enjoyed a rate of growth of above 10 per cent between 1993–94 and 2009–10, compared to about 5 per cent for the bottom quintile, showing widening of inequalities between the poorest and the richest.

Thus, based on both indicators—gross enrolment ratio and higher education attainment—we note that the economically weaker sections have not progressed much, nor has the inequality between the bottom and top quintiles reduced significantly. Muslims are yet to catch up significantly with the Christians and Hindus. Even though growth in higher education has been in favour of the other weaker sections, this is not the case for the economically weaker sections. That the weaker sections experienced, in general, higher rates of growth than the non-weaker sections both in case of gross enrolment ratio and in case of higher education attainment should not be taken to mean that convergence is taking place in the levels of education rapidly. The extent of inequalities is still very high, as has already been noted.

Which Groups did Experience a Higher Fall in Inequalities than Others?

Changes in inequality in higher education attainment between different groups show some interesting trends. Between different groups of the population, gender inequalities have declined significantly—the degree of gender inequalities can be interpreted as 'minimum'. Inequalities by caste and religion have also declined, though not as significantly as gender inequalities. Differences between Scheduled Castes/Tribes and the non-scheduled population have declined. In fact, the Scheduled Tribes have caught up and progressed faster than the other groups of the population, with respect to quite a few indicators of development of higher education. In terms of transition rates in higher education and eligible enrolment ratios too, the Scheduled Tribes have fared better than the other groups and all the groups as a whole. On the whole, one finds, as Desai and Kulkarni (2008) have also found, that the gap between 'others' or upper-caste Hindus/others, and the Dalits/*adivasis*, has diminished (Table 3.13).

Inequalities between different religious groups of the population are marked, though they have not significantly declined over the years. There has been a significant decline in gross enrolment ratio—the ratio between Muslims and the rest improved from 0.34 in 1993–94 to 0.6 in 2009–10. But in terms of higher education attainment, in which case reduction in inequalities normally takes a long time, inter-religious group inequalities between Muslims and the others has widened. Desai and Kulkarni (2008) also found that the educational gap between Hindus and Muslims continued and sometimes expanded. On the whole, the Christians are much ahead of all other religious groups and the Muslims at the far end on the other side. While the Hindus are ahead of Muslims, they are both behind the Christians and 'others'. In terms of the hierarchy by religious groups in higher education development, thus, the order is as follows: the Christians come first, 'others' next, followed by the Hindus and then Muslims.

Compared to the gender and social groups, inequalities based on region—rural and urban—are very high, with the population in the rural areas falling much behind their counterparts in urban areas. Rural-urban inequalities have narrowed only marginally over the years.

The analysis of inequalities by economic classes yields more disturbing results. Inequalities in higher education between the poor and the rich have been most significant. In fact, there has been a decline in the gross enrolment ratio and also the transition rates among the poorest group of the population over the years, in

Table 3.13: Changes in Inequality in Higher Education Attainment for Age Group 15–64: Ratios between Different Groups of Population

	1983–84	*1987–88*	*1993–94*	*1999–2000*	*2004–05*	*2007–08**	*2009–10*	*Overall change in inequality**
By gender								
Male/female	2.64	2.39	2.28	1.94	1.79	1.67	1.58	+1.06
By caste								
Non-scheduled/ST	5.95	4.55	5.40	3.47	3.76	—	—	+2.19
Non-scheduled/SC	5.45	4.60	4.77	3.37	3.06	—	—	+2.39
By religion								
Hindu/Muslim	1.86	2.46	2.15	2.12	2.07	2.38	2.27	–0.41
By region								
Urban/rural	7.40	6.85	6.59	5.87	5.33	5.52	5.31	+2.09
By economic group								
Q5/Q1	14.00	—	16.78	—	16.44	27.75	22.00	–8.00
Q4 and Q5/Q1 and Q2	7.35	—	8.14	—	7.43	13.70	9.90	–2.55

contrast to a very significant improvement in case of other income groups. As a result, we find widening inequalities between the poorest and the rich. The estimates on higher education attainment show a consistent increase in the gap between the top and the bottom quintiles.

To sum up, among inequalities between different groups of population, inequalities by economic levels of households are found to be higher than inequalities by other characteristics of the population—gender, caste, religion and region. Moreover, inequalities by gender, caste/religion and between rural and urban are decreasing while inequalities by economic status do not seem to be showing such a trend. In fact, inequalities in higher education based on economic status have widened between several points of time.

Among the various indicators, one finds a high degree of inequality in gross enrolment ratio. The coefficients of inequality are the highest in case of higher education attainment. Eligible enrolment ratios or transition rates show the least amount of variation between different groups of the population, particularly by social groups and gender. The Other Backward Classes are found to be ahead of the Scheduled Castes and Scheduled Tribes with respect to stock variables—higher education attainment—but not necessarily and consistently with respect to enrolment ratios, particularly eligible enrolment ratios.

This chapter has been concerned with the question: How inclusive has the growth in higher education in India been? While answering this, we have examined whether all sections of the society, including specifically the weaker sections, benefited from growth in higher education or not, and whether all sections benefited equally or unequally. Rather, it has been attempted to examine whether there has been pro-poor growth—whether the rate of growth in educational status of the weaker sections is higher than that of the non-weaker sections. The evidence we analysed here have yielded answers that are clearly in the affirmative in case of gender groups and social groups, somewhat affirmative in case of rural-urban inequalities and not clearly affirmative in case of inequalities between the rich and the poor, classified by household monthly per capita consumption expenditure levels. Even with respect to social and spatial groups of population, inclusive growth in 'relative' terms has not taken place as much as absolute improvement. With respect to economic groups, absolute improvement is also very small, if not negative.

What are the Implications?

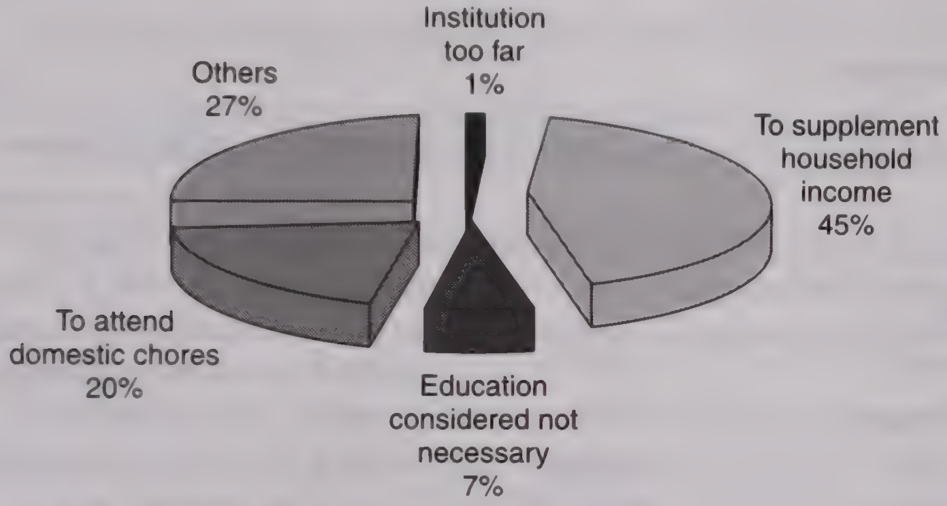
As noted earlier, the various groups that we have considered for analysing growth and inequalities are not mutually exclusive. The extent of inequalities would be very sharp and clearer if sub-categories were also considered by gender, caste / religion, economic levels and regions. For example, the rate of higher education attainment varied between 2.5 per cent in rural areas and 14 per cent in urban areas in 2004–05. But the corresponding proportion for the poorest population living in rural areas is infinitesimally small—0.03 per cent—while it is 52 per cent among the richest population in urban areas. The difference would be much bigger if we consider the Scheduled Castes/Tribes among the poorest quintiles living in rural areas *vis-à-vis* the non-scheduled population of the top expenditure quintiles living in urban areas. In other words, no broad category like the Scheduled Castes or rural population or women is a homogeneous category.

The Constitution provides for reservations for Scheduled Castes, Scheduled Tribes and the Other Backward Classes in student admissions and also in recruitment of faculty in higher education institutions. These affirmative policies formulated considering the broader social situation are an important instrument of not just formal equality, but also *substantive* equality, and they became very controversial. Quite a few studies (for example, Basant 2006; Sundram 2006) have concluded that there was no need for an extension of reservations to the 'other' backward castes. Many have also raised the question: Do the benefits of affirmative action, if any, percolate to the most downtrodden groups, or whether they are limited to the 'creamy layers' of the Dalit and adivasi populations. The illegitimate use of the affirmative-action programmes by upper-income Dalit and adivasi families remains a running theme in the Indian discourse on affirmative action. Basant and Sen (2012) have argued in favour of parental education as a criterion for affirmative action in place of caste and religion. Ideally, as Roemer (1998) argued, policies may aim at distribution of education that varies along with the individual's level of effort instead of family background and other characteristics, for which they cannot be held responsible. Family background and other characteristics include not only social but also economic factors. Mehta and Hasan (2006) have found that lower completion rates at the secondary level of education and economic status were important factors that needed to be addressed in this context than providing reservations based on social identity. Some (for example, Higham and Shah 2013) argued that affirmative action policies in India have been conceived as a 'contradictory resource'—while on one hand the weaker sections benefit from these policies in securing admission in schools they nevertheless do not address deep-seated and historical inequalities. After all, the weaker sections, even through these policies, do not necessarily get admissions in high-quality institutions; besides, they result in a division amongst the weaker sections between those who benefit from these policies and those who do not, and remain locked in the vicious circle of exclusion. On the whole, it is widely felt that given the structural nature of caste, religion, ethnicity and class inequalities in contemporary India, the extent to which affirmative action policies can fundamentally redress highly structured patterns of inequality remains doubtful (Syed, et al. 2013: 715). All this calls for a different approach to policies relating to targeting, focusing not only on formal access, but also on ensuring substantive access. In general, it is important to see that these policies do not allow either 'unfair inclusions' or 'unfair exclusions', to use Sen's (2000) terminology. In public discourse, the issue of inequality is equated to the problems of women, Scheduled Castes, Scheduled Tribes and Other Backward Classes. Having received some serious attention of the policymakers during the post-Independence period, inequalities by gender and inequalities by caste have declined somewhat significantly, and some modest to impressive progress can be noted. In recent times, inequality experienced by the religious minorities particularly Muslims has begun to receive attention. Other variants of inequality are yet to receive serious public attention. Among all that have been analysed here, inequalities by economic groups have not received as much attention as they should have. As a result, inequalities between the rich and the poor seem to have not declined but increased over the years. Inequalities in education between economic groups of population cut across religious, regional, caste and gender groups, and even regions, and hence they deserve serious attention. But their space in policy discourse is taken away by caste and gender inequalities. Promotion of caste- and gender-based equality should not entail compromising and curtailing the equality of other underprivileged groups to augment access to higher education. Regional inequalities are still very high and although some attention has been paid to this issue in the past, it deserves more attention than what is paid. It is particularly important to pay serious attention to reducing inequalities in access to higher education between different income groups of population.

Unequal family incomes translate into unequal access to higher education. A major reason for low participation from low-income groups in higher education is lack of finances to meet household costs of higher education or the need to supplement the household income by work. Literature showing a strong correlation between participation in higher education and students' family background including socio-economic factors is abundant. Hence, it is necessary to address the socio-economic factors. While there are some schemes and subsidies for the socially backward sections as well as women, no such schemes are offered to the rural youth or economically weaker sections. General public subsidies as well as specific targeted subsidies are needed. Sound and well-thought-out measures are required to reduce the exclusive nature of higher education.

Among the reasons for students dropping out or discontinuing studies after senior secondary education, economic factors figure as the most important, accounting for about two-thirds of all the factors—in 2004–05, 45 per cent was accounted by 'to supplement household income' while another 20 per cent 'to attend to domestic chores'. This indicates the need to ease economic constraints on the poor households. Further, for only a tiny fraction (1.2 per cent) accounts for the factor, the 'institution is too far' (Figure 3.14). If this is the case, policies of expansion of higher education, particularly setting up of a large number of colleges and universities, may have to be re-examined.

FIGURE 3.14: Why do Students Drop out or Discontinue after Senior Secondary Education? (2004–05)



Source: NSS (2004–05).

In fact, quite interestingly, the eligible enrolment ratios—which are around 50 per cent for every social group and also for regional group—suggest that once students graduate from secondary education, they all have a more or less equal chance of getting into higher education institutions. This also stresses the need to reduce inequalities in access to secondary education to improve participation in higher education. The large expansion of higher education in terms of increasing enrolment ratios (it is envisaged to increase the gross enrolment ratio to the level of 30 per cent by 2030) is not possible unless school education, particularly secondary education, is expanded and strengthened in a way that it raises transition rates even further. It is not adequate to focus just on admissions into higher education. Effective measures are needed to ensure the continuation of studies by students admitted in higher education and to ensure that they complete the studies in normal time. Strong support mechanisms must be devised for all weaker sections in this regard. Lastly, it may be noted that goals of inclusive growth in higher education contradict with some of the strategies that are being adopted for growth in higher education. A heavy reliance on the private sector and cost recovery measures may not help ensure inclusive growth in higher education; they may actually work in the opposite direction. Sustainable, inclusive growth may be possible only with strong and vibrant public higher education systems with liberal public funding.

Annexure

TABLE A3.1: Transition Rates from Secondary to Higher Education (%)

	1993–94	*1999–2000*	*2004–05*
All	67.4	65.2	71.2
Men	67.0	65.9	69.0
Women	67.4	64.7	72.7
Rural	58.7	55.6	62.6
Urban	74.2	73.4	79.8
SC	58.5	60.2	66.3
ST	61.4	54.0	75.0
OBC	—	60.5	66.9
Non-scheduled	68.4	66.5	71.6
Muslims	63.9	61.3	70.7
Hindus	67.7	65.4	71.3
Christians	68.3	72.9	71.3
Others	67.4	61.2	62.5

Source: Azam and Blom (2009).

Endnotes

Parts of this article and earlier versions were presented as a special lecture at the Silver Jubilee Seminar in the Department of Economics, Andhra University; as a keynote address in a seminar at the Centre for Development Studies, Thiruvananthapuram; in a workshop at Rajiv Gandhi National Institute for Youth Development and Loyola College, Chennai; in a panel discussion at the Annual Conference of the Indian Economic Association, Kanchipuram; and in seminars at the Indira Gandhi Institute for Development Research, Mumbai and Tata Institute of Social Sciences, Mumbai. I benefited from several comments and observations made by many of the scholars at these events. An edited version of this article is to appear in a seminar-based volume by the Tata Institute of Social Science Research (edited by G. G. Wankhade).

[1] This was originally published as a staff working paper of the World Bank.

[2] These papers were commissioned and published by the UGC.

[3] Unless otherwise mentioned, all tables and figures are based on NSS data (various rounds).

[4] Without going into semantics, women, Scheduled Castes, Scheduled Tribes, Other Backward Castes, the rural population and bottom-expenditure quintiles are referred to in this paper as the weaker/deprived/marginalised sections of society.

[5] See Tilak (1980), where the relationship between discrimination in education, employment and earnings is highlighted.

[6] Some scholars (Mehta and Hasan 2006) have used 'eligible population' and 'minimally qualified population' as the base in such a context. Since they have considered different groups and also measured in different ways, their estimates are not comparable with those given here.

[7] If X_1 and X_2 represent the respective percentage of the variables of Groups 1 and 2, then the Sopher's index of inequality D is written as:

$D = \log (X_2/X_1) + \log [(Q - X_1) / (Q - X_2)]$, where $X_2 > X_1$ and $Q = 100$.

[8] The estimates of Azam and Blom (2009) for different groups of the population are given in Table A3.1 in the Appendix. Temporal comparisons should not be made between these estimates and our estimates for 2009–10.

[9] See Sinha and Srivastava (2008), Raju (2008) and Dubey (2008) for estimates based on alternative sources of data for 2004–05, which differ from each other quite significantly.

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POST-ELEMENTARY EDUCATION, POVERTY AND DEVELOPMENT*

A substantial part of the available research seems to have concentrated on analysing the positive effects of literacy and primary education on poverty and other aspects of social and human development like infant mortality or life expectancy, and firmly concluded that literacy and primary education have significant effects on poverty reduction.[1] Studies on rates of return to education have also found that primary education yields higher returns than secondary and higher education. Accordingly, development efforts of national governments, non-governmental organisations (for example, OXFAM 2000), and even the international development community including the United Nations (UN), UNESCO, United Nations Development Programme (UNDP) and UNICEF, bilateral aid organisations and international financial institutions such as the World Bank, are confined in the area of education to primary education as an instrument of poverty alleviation. For example, the Millennium Development Goals (MDGs) of the UN that aim at poverty alleviation, or the poverty reduction strategy papers recommended by the World Bank, refer only to primary education

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and education of girls. Many researchers on poverty have also not turned their attention to the poverty-reducing role of secondary and higher education, though some have analysed contribution of higher education and a few examined the contribution of secondary education to economic growth. It is widely held that secondary and higher education is not as helpful in poverty alleviation, and not important for social development, income distribution, equity and development.

But while primary education teaches the three basic *R*s, rarely does it provide the skills necessary for employment—self-employment or otherwise—that can ensure a reasonable level of wages and economic living. Moreover, most of the literacy and primary education programmes are also found to not impart literacy that is sustainable in such a way that children do not relapse into illiteracy. Second, primary education rarely serves as a meaningful terminal level of education. Third, even if primary education imparts some valuable attributes in terms of attitudes and skills, they are not sufficient; and if primary education is able to take the people from below the poverty line to above the poverty line, it is possible that they could reach a level just above the poverty line, but not much above; and more importantly, the danger of their falling below poverty line at any time will remain high. On the other hand, it is secondary and higher education that consolidates the gains received from primary education; it is secondary and higher education that provides the skills that could be useful in the labour market; it is secondary and higher education that can keep the people above the poverty line without a danger of them falling back into the poverty trap—be it educational poverty or income poverty—and, infact, it is secondary and higher education that can take people to a great degree above the poverty line by increasing the social, occupational and economic mobility of households. In all, it can be argued that it is secondary and higher education, besides elementary education, that forms the 'human capability' and 'human freedom' that Sen (1999) champions, a freedom that can help attain other 'freedoms', though Sen does not explicitly refer to secondary and higher education. In short, without negating the importance of primary education, it can be said that it is secondary and higher education that effectively contributes to and also at the same time, as human development specialists argue, constitutes development.

This chapter aims at an examination of the relationship between post-elementary[2] education and development, particularly poverty and other aspects of social and human development in India. While education is also influenced by poverty and development (see Tilak 2002; also Bhatty 1998), the question examined here is how poverty and development are influenced by secondary and higher education. We begin with a brief overview of the literature dealing with this aspect of education. The review is not claimed to be comprehensive, but it does give a good flavour of the research available on the subject. Based on inter-state data, ananalys is of the contribution of post-elementary education to poverty reduction and improvement in related dimensions of development such as infant mortality rate and life expectancy is attempted next. It may be argued that most of the analysis attempted here shows correlation between education and development, and not necessarily a causal relationship between the two. But the analysis using time lag for education to effect development is likely to indicate not just correlation, but also the effect of education on development. The chapter ends with a few concluding observations. This study is focused on India, but draws upon ideas that will be relevant to other contexts as well. Its focus is somewhat narrow. It concentrates on the contribution of secondary and higher education to development. A review of the education policies in India or growth in secondary and higher education is not the objective of this chapter, though we can draw some policy implications in that direction.

A Review of Earlier Research

Very few studies have exclusively focused on the role of secondary and higher education in development. Those few researchers who have analysed the relationship between post-primary education and development have, however, found significant impact of education on economic growth (for example, Romer 1986; Barro 1991, 1999; Barro and Sala-i-Martin 1995; Lucas 1988; Mankiw, et al. 1992; Barro and Lee 1993; Benhabib and Spiegel 1994; Petrakis and Stamatakis

2002). For instance, Barro (1999) found in his cross-country regressions on 100 countries that economic growth between 1960 and 1995 was positively related to the base level (1960) secondary and higher levels of education attainment of the adult population, and moreover, the growth was not significantly related to primary education.

Tilak (2003) went beyond economic growth and analysed the relationship between higher education and several development indicators, including poverty and human development. Estimates based on production functions on a cross-section of 49 countries in the Asian region indicated a strong effect of higher education on development. Higher education—measured in terms of the gross enrolment ratios or in terms of higher education attainment, i.e., proportion of population with higher education (higher education attainment)—was found to have a positive effect on the level of economic development. The higher education attainment was also positively related to several human development indicators, in addition to economic development—it is significantly related to the human development index and also gender development index. The higher the level of higher education in a society, whether in stock or flow form, the higher the level of human development through its influence on the two main components of the human development index, namely life expectancy and gross domestic product (GDP) per capita. It is not only life expectancy that is significantly related to higher education attainment, but also infant mortality, another measure of health. Similarly, the effects of higher education on fertility rates are also two-fold—higher education may bring in attitudinal changes towards the need to reduce fertility rates for development, and secondly, prolonged education, that is, enrolment in higher education, may delay marriages and lead to a reduction in fertility rates.

Poverty is also found to be inversely related to the level of higher education in Asian countries. The relationship between poverty and gross enrolment ratio in higher education is negative and the coefficient is statistically significant. In general, one can argue that while basic education may take people out of poverty, this can be sustained well by secondary and higher education, which help in upward mobility and offer better economic opportunities. Thus, Tilak (2003) found that higher education played a very significant role in the development of the societies—in terms of economic growth, human development, gender-based development, in the improvement of health and life expectancy, and in the reduction of fertility, infant mortality and poverty.

The available research evidence shows that the general presumption that post-basic education is not necessary for economic growth and development, particularly in developing countries and, on the other hand, it is literacy and primary education that are important is not a correct presumption. Researchers in the economics of education in India have also analysed the contribution of education, including the various levels of education, to economic development. In one of the earliest attempts to estimate the contribution of education to increase in productivity, to quality of labour force and to economic growth in India, the relative contribution of education to increase in productivity per person was estimated to be as high as 14 per cent during 1948–49 to 1968–69; and 36 per cent of improvement in the quality of labour force was attributable to education (Dholakia 1974). According to later studies, these estimates were found to be underestimates. The contribution of education to economic growth in India was asserted to be as high as 34.4 per cent (Psacharopoulos 1973). But Loh (1995), using the 1971–81 data, estimated the corresponding ratio to be 27 per cent. In a more recent study, Sivasubramonian (2004) estimated the sources of economic growth in India between 1950–51 and 1999–2000 and found that education, along with land, labour and physical capital, contributed significantly to economic growth.

It has been noted very clearly that investment in education in India is not 'un-economic' (Heyneman 1980). Individual wage earnings systematically increase significantly with increasing levels of education (Blaug, Layard and Woodhall 1969; Kothari 1970; Tilak 1987; Mehta 1990). This is found to be true both in national and micro-level surveys, as well as within total and sub-groups of populations. For example, based on a micro-level household survey, Tilak (1990) reported that while the earnings of male workers nearly doubled if they had higher education, compared to secondary

TABLE 4.1: Regression Coefficients of Education in Wage Regressions for Regular and Casual Workers

	Regular wage workers			*Casual wage workers*		
	1983	*1993*	*1999*	*1983*	*1993*	*1999*
Completed primary school	0.0658***	0.0426***	0.0485***	0.0088	0.0108*	0.0227***
Completed middle school	0.1361***	0.0933***	0.1090***	–0.0065	–0.0079	0.0165*
Completed secondary school	–0.0085	–0.0348*	0.3486***	0.2640***	0.2945***	0.0117
Completed graduate school	0.6192***	0.5385***	0.6025***	–0.0043	–0.0693*	0.018

Notes: * Significant a 10% level.
** Significant at 5% level.
*** Significant at 1% level.

Source: Vasudeva-Dutta (2004).

education, the same would increase by 80 per cent in the case of women. For both men and women, the earnings systematically increase with increasing levels of education.

Table 4.2: Rates of Return to Education in India, 1961

	Assumption I	*Assumption II*
Graduate/postgraduate compared with primary	15.0	14.1
Secondary compared with primary	11.9	10.0
Graduate/postgraduate compared with secondary	16.9	16.3

Source: Harberger (1965: 27).

As the estimates given in Table 4.1 show, education has a strong effect on individual wages, the effect being higher in case of regular workers compared to causal workers. This effect increases systematically with increasing levels of education, the effect being the highest in case of those who have higher education. There is a significant jump in the coefficient between secondary and higher education, suggesting that secondary education may be a threshold level for education to influence the earnings.

The economic returns to education in India are also estimated to be reasonably high; they are comparable to the rates of returns on investment in physical capital on the one hand and rates of return on education in other developing and developed countries of the world on the other. Moreover, such returns are found to be increasing. For example, Harberger (1965) and Nalla-Gounden (1967), the earliest studies in India on this issue, estimated high rates of return to education in India. The estimates of Harberger (1965), given in Table 4.2, show that both secondary and higher education yielded a rate of return at least above 10 per cent under alternative assumptions.[3] According to Blaug, Layard and Woodhall (1969), compared to the social rate of return of 20 and 17 per cent, respectively, in 1961 to primary and secondary education, the estimated returns in 1978 were 23 and 18 per cent, respectively, and it was 11 per cent for higher education.[4] Despite some of the severe limitations that the estimates on rates of return, particularly social rates of return, carry with, these estimates are strongly believed to be good indicators of the economic contribution of education.

Estimates of rates of return based on earning functions also indicate substantial and increasing returns to education. Private rates of return estimated using wage functions by Vasudeva-Dutta (2004), given in Table 4.3, show that returns increase with increasing levels of education, the rates of return being the highest for higher education for regular workers, at about 10 per cent. However, the returns are not high for casual workers. Self and Grabowski (2004) found significant impact of secondary education on economic growth. This relationship is causal and statistically significant when secondary education is measured in terms of enrolments or in the form of stock of human capital.

TABLE 4.3: Average Private Rate of Return to Education by Levels (%)

	Regular wage workers			*Casual wage workers*		
	1983	*1993*	*1999*	*1983*	*1993*	*1999*
Primary school	1.32***	0.85***	0.97***	0.18	0.22*	0.45***
Middle school	2.35***	1.69***	2.02***	–0.51***	–0.63***	–0.2
Secondary school	5.31***	4.27***	4.64***	–0.05	–0.67*	0.12
Graduate school	9.02***	9.15***	10.26***	0.14	–1.15*	0.21

Notes: * Significant at 10% level.
** Significant at 5% level.
*** Significant at 1% level.
Source: Vasudeva-Dutta (2004).

Using recent data, Mathur and Mamgain (2004) also found significantly increasing effects of education on economic development—net state domestic product (SDP) per capita—with increasing levels of education. Some of the results are given in Table 4.4. It is important to note that the regression coefficients for not only illiteracy but also for *just literacy*[5] are negative; highest effects are found of higher education, followed by higher-secondary and secondary education.

TABLE 4.4: Regression Coefficients of Per Capita Net State Domestic Product

	β
Illiterate	–190.99***
Just literate	–245.81
Primary	594.85***
Middle	190.75
Secondary	730.99***
Higher secondary	2,879.07***
General graduate	4,870.12***

Notes: Other levels of education are not included here.
*** Significant at 1% level.

Source: Mathur and Mamgain (2004).

Tilak (2004a) examined the relationship between higher education and economic development in India and found it to be significant. A simple coefficient of correlation between state domestic product per capita (SDP/pc) (1999–2000) and the percentage of the population with high education or higher education attainment (1995–96) in various states and union territories was high and statistically significant. The value of the coefficient was 0.686. Tilak also found a strong relationship between higher education attainment and poverty in India. The coefficient of correlation between poverty (1999–2000) and higher education attainment was also significant, and the coefficient was negative in value: –0.37.[6]

It may be argued that these figures highlight the nature of association between higher education and development, and not the cause and effect relationships. Nevertheless, despite some such familiar limitations associated with these statistical measures, these results that use time lag for education to have an effect on poverty and economic development do show that higher education is positively related to economic growth and inversely to poverty; and it is likely that higher education positively influences economic growth.

It should be noted that these returns are in addition to several kinds of externalities associated with investment in human capital (for example, Klien 2002). The effect of education on agricultural development was also found to be quite high (Tilak 1994). Earlier researchers (Raza and Ramachandran 1990) also found that the threshold level for education to influence agricultural development in rural areas increased from primary to secondary education.

On the whole, the contribution of education to economic growth in India has been significant. It is generally felt that the returns to investment in human capital would have been higher had (a) the quality of education received the serious attention of educational planners and (b) educational planning been well-integrated with economic planning, emphasising poverty reduction, income distribution and economic growth. For example, Behrman and Schneider (1992) argued that India did not reap much gain from investments in human capital in terms of economic growth and poverty alleviation, and that there might be substantial potential gains to be reaped from this in the future from India's human capital. With respect to other aspects of development and the relationship of education with them, researchers (World Bank 1997; Dasgupta 1990; Tilak 1991, 1994; Bhatty 1998; Watt 2000) have often confined themselves to estimating coefficients of correlation between literacy or primary education and the corresponding development indicators such as life expectancy, infant morality, fertility rate, birth rate, population growth, health status and so on. The role of secondary and higher education in improving social development indicators has been rarely examined. Even with respect to economic development, some important research has exclusively focused on primary education (Drèze and Saran 1993).

Further Analysis

Based on the most recent statistics available, it is attempted here to provide some further evidence on the role of secondary and higher education in development in India. Using state-wise data, a variety of indicators on poverty and development are regressed on the stock of adult population with secondary/higher education.

At the very outset, it would be interesting to note that while literacy has a positive impact on poverty reduction and development, mere literacy, that is literacy without any level of schooling, does not. Literates comprise all people who are mere literate as well as all the educated people. Rarely is the mere-literacy rate examined in relation to development. The simple coefficients of correlation between various levels of education (percentage of population with different levels of education in 1995–96 and poverty ratio in 1999–2000) in 32 states and union territories in India, given in Table 4.5, reveal some interesting aspects.

TABLE 4.5: Coefficient of Correlation Between Education and Poverty

<>	
Illiteracy	0.212
Literacy	0.486
Primary	0.051
Middle / upper primary	–0.358
Secondary and above	–0.560

Illiteracy and poverty go together; this is not surprising; this is most widely confirmed. But more importantly, literacy (or mere literacy) and primary education are also positively related to the poverty ratio. It is only when people have at least completed middle or upper-primary level of education that the relationship between education and poverty becomes negative and important; and the negative relationship becomes stronger when the level of education is raised to secondary (and above). Thus, middle-level education may serve as a threshold level for education to influence poverty.[7] The stock of adult population with secondary and higher education is an important indicator of the level of development of secondary and higher education. This stock indicator represents the cumulative efforts of a country in the development of secondary and higher education over the years. The larger the stock of population with secondary and higher education, the higher the potential for economic growth. Focusing more on poverty and other aspects of development, and using secondary and higher education as the education variable, a series of regression equations are estimated on cross-section inter-state data and the results are given in Tables 4.5 to 4.9. In all equations, time lag is allowed. For example, the influence of the secondary and higher education in 1995–96 is examined on development indicators of a later period, mostly 1999–2000. Second, in all cases a semi-log regression equation is used. The results are as follows:

(a) Poverty ratios are estimated in India considering the levels of consumption expenditure of the households. Datta and Sharma (1995) found a strong negative relationship between consumption expenditure and poverty in rural India. Ravillion and Datt (1994) have explained a large proportion of variation in poverty with the help of per capita consumption expenditure. So it may be in order to examine the relationship between the per capita consumption expenditure of households and education. Given the universal positive relationship between education and earnings—higher levels of education are associated with higher levels of earnings (Psacharopoulos and Tilak 1992)—one can expect that an increase in the level of education will increase the level of consumption expenditure. Per capita consumption expenditure is regressed on secondary and higher education and the results, given in Table 4.6, show that the expenditure level is considerably influenced by secondary and higher education. The higher the level of secondary and higher education, the higher will be the expenditure and this is true in rural as well as urban areas, with positive and statistically significant coefficients. Education explains a larger proportion of variation

TABLE 4.6: Regression of *Ln* Per Capita Consumption Expenditure on Adult Population with Secondary/Higher Education

	Intercept	*Regression coefficient*	*Adjusted R-Square*	*F-value*	*Degrees of freedom*
Rural	6.1087	0.0205*** (3.826)	0.306	14.642	31
Urban	6.4930	0.0087** (2.263)	0.117	5.123	31
Rural plus urban	2.6604	0.0091*** (5.418)	0.478	29.360	31

Notes: ** Significant at 5% level.
*** Significant at 1% level.
Figures in ( ) are t-values.

in consumption expenditure in various states in rural India than in urban India, though in both cases the results are statistically significant. When we examine the rural plus urban levels of consumption expenditure, the results improve further, with the adjusted coefficient of determination being nearly 0.5.

(b) Similar equations on poverty also yield very meaningful results, as shown in Table 4.7. The regression coefficient of secondary and higher education is negative and statistically significant at a 99 per cent level of confidence, showing clearly that the higher the percentage of population in a state with secondary education and above, the lower the poverty ratio in the state. While this relationship holds true both in rural and urban areas, the value of the coefficient and the level of significance suggests that the effect of education on rural poverty is higher than that in the urban areas.

TABLE 4.7: Regression of *Ln* Poverty Ratio (1999–2000) on Adult Population with Secondary/Higher Education (1995–96)

	Intercept	*Regression coefficient*	*Adjusted R-Square*	*F-value*	*Degrees of freedom*
Rural	4.1267	–0.0983***(–4.791)	0.415	22.952	30
Urban	3.7928	–0.0332** (–2.645)	0.189	6.998	30
Rural plus urban	3.7294	–0.0426***(–3.804)	0.303	14.469	30

Notes: ** Significant at 5% level.
*** Significant at 1% level.
Figures in ( ) are *t*-values.

(c) As mentioned earlier, much of the literature on human development has also concentrated on the role of literacy and primary education on infant mortality and life expectancy. The role of secondary and higher education has not been analysed as it is assumed that secondary and higher education have no role at all in improving life expectancy or reducing the mortality rate among children. We find here that this is not true. Both secondary and higher education have a very significant effect on reducing the infant mortality rate. Higher levels of education help a great deal in reducing infant mortality rates, as people with higher education would be more aware of the need for preventive healthcare measures and also would be aware of the availability of general healthcare facilities, leading to sound decision-making within households regarding healthcare. Higher education can influence the health of the population in a different way as well, through the provision of skilled quality medical manpower to the society at large. The regression coefficients of education with respect to rural areas (Table 4.8) are negative and statistically significant. Further, since the variable on education refers to an adult population with secondary or higher education, and as adults can adopt necessary measures immediately without any time lag, the effect of secondary and higher education on infant mortality could be almost instantaneous. This is clear when we examine the regression equation that has not allowed for much time lag—the mortality rate in 2001 is regressed on the education of the population in 1999–2000. However, we find that the effect of secondary and higher education on infant mortality is confined to rural areas. In case of urban areas, the regression coefficients are not statistically significant (at 10 per cent level). This is somewhat difficult to explain. The problem of infant mortality is, of course, not so severe in urban areas as in rural areas.

TABLE 4.8: Population with Secondary or Higher Education and Infant Mortality

	Intercept	*Regression coefficient*	*Adjusted R-Square*	*F-value*	*Degrees of freedom*
Regression of ln infant mortality rate (2001) on SHEA (1995–96)					
Rural	1.9383	–0.0182***(–2.909)	0.278	8.465	22
Urban	1.4787	0.0079 (0.085)	–0.045	0.007	22
Regression of ln infant mortality rate (2001) on SHEA (1999–2000)					
Rural	1.9877	–0.0277***(–4.944)	0.439	24.44	29
Urban	1.7388	–0.0099 (–1.502)	0.039	2.27	30

Notes: ** Significant at 5% level.
*** Significant at 1% level.
Figures in ( ) are *t*-values.

(d) In case of life expectancy, another important measure of health conditions, also, the effect of secondary and higher education is significant in rural areas, but not in urban areas, though in all cases the sign of the regression coefficient is positive. In case of both male and female life expectancy, the influence of education is statistically significant, increasing the life expectancy considerably. The regression coefficient of urban education in 1999–2000 on female life expectancy was statistically significant at the 10 per cent level. The effect was also higher when the time lag was reduced. Life expectancy in 2001–06 was more influenced by education levels in 1999–2000 than those in 1995–96. In all cases, the number of observations was small, due to non-availability of data on life expectancy, but the results are somewhat robust (Table 4.9).

It may be argued that simple regression equations of development indicators on education suggest only correlation between the two, and not necessarily a cause-and-effect relationship. Such a criticism is partly pre-empted here by allowing a time lag for higher education to cause development. Second, the variable on secondary and higher education considered here is a stock variable—cumulative stock of adult population with secondary and higher education. Such a stock would be least influenced by development indicators, that too relating to a few years ahead. After all, we also find very few states with high levels of higher education being underdeveloped, while all the economically rich states have not necessarily advanced in the development and spread of higher education.

To sum up, secondary and higher education play a very significant role in the development of societies—in terms of economic development, poverty reduction, life expectancy and infant mortality. Though in general it is true that there exists a two-way relationship between higher education and development, the way and the facets of development that are analysed here highlight the likely contribution of secondary and higher education to development. For instance, it may be okay to argue that the current national income may influence the education levels of the population in the future; but the education levels of a

TABLE 4.9: Regression of *Ln* Life Expectancy at Birth (2001–06) on Adult Population with Secondary and Higher Education

	Intercept	*Regression coefficient*	*Adjusted R-Square*	*F-value*	*Degrees of freedom*
Dependent variable: ln male life expectancy					
Rural education (1999–2000)	1.764 (154.90)	0.0046*** (4.009)	0.530	16.800	13
Rural education (1995–96)	1.768 (136.67)	0.0033*** (3.302)	0.414	10.904	13
Urban education (1999–2000)	1.761 (33.11)	0.0017 (0.882)	–0.016	0.778	13
Urban education (1995–96)	1.774 (29.98)	0.0009 (0.559)	–0.052	0.312	13
Dependent variable: ln female life expectancy					
Rural education (1999–2000)	1.760 (132.65)	0.0062*** (4.763)	0.608	22.691	13
Rural education (1995–96)	1.768 (107.03)	0.0042*** (3.289)	0.412	10.819	13
Urban education (1999–2000)	1.708 (27.29)	0.0041* (1.785)	0.135	3.184	13
Urban education (1995–96)	1.743 (23.76)	0.0021 (1.040)	0.077	1.081	13

Notes: ** Significant at 5% level.
*** Significant at 1% level.
Figures in ( ) are *t*-values.

population from 5–6 years ago cannot be argued to be influenced by the current levels of economic development or by other current indicators of development, particularly in modern times when socio-economic development takes place rapidly. In short, though the statistical analysis used is very simple, the group of states used in the regression analysis is highly heterogeneous and that there can be several factors influencing economic growth, poverty and other facets of development in addition to secondary and higher education, the analysis indicates a strong and positive relationship showing secondary and higher education influencing development.

Summary and Concluding Observations

The contribution of basic education to development is widely recognised. But very rarely are the linkages between post-elementary education and development analysed. This chapter is an attempt to examine whether post-elementary education at all has any role in development in India, using some of the recent statistics available. The analysis of secondary data clearly leads us to conclude that post-elementary education plays a significant role in development. Based on state-wise data on the stock of the population with secondary and higher education in 1995–96 and development indicators relating to years mostly around 1999–2000, and simple regression equations, the relationship between post-elementary education and development was analysed. Despite some of the limitations of such exercises, such as they may indicate more of an inter-relationship than a causal relationship, it may not be wrong to conclude the following from the analysis:

(a) Secondary and higher education enhance the earnings of individuals and contribute to economic development.
(b) Post-elementary education makes a significant contribution to the reduction in absolute as well as relative poverty.
(c) It also influences the infant mortality rate negatively.
(d) Life expectancy is positively related to post-elementary education.

The implications of the empirical results are clear and straightforward. Given the importance of post-elementary education, along with literacy and elementary education, it is necessary that attention is paid to the development of sound and comprehensive education policies.

Though the contribution of secondary and higher education to development is quite significant, India, like many other developing countries, has not paid adequate attention to it. In fact, there has been a strong tendency to neglect secondary and higher education and focus rather exclusively on elementary, more particularly primary, education (see Tilak 2004b). As a result, primary education is nearly universal in India, but the enrolment ratios in secondary and higher education are very small. The gross enrolment ratio in secondary education was 37.5 per cent and that in higher education less than 9 per cent in 2002–03. The growth in enrolment ratio in secondary education also picked up only from the beginning of the 1990s. Otherwise, the overall growth was somewhat flat during the 50 odd years of development planning in India. Public policy has to clearly recognise not only the basic foundation that primary education provides for development, but also the critical importance of secondary and higher education in development, in poverty reduction, human development and economic growth. Coherent long-term policies for the development of education, including secondary and higher education, for development of the economy are critically needed.

Endnotes

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[1] There are very few studies (for example, see Pritchett 2001; Wolf 2002 and Easterly 2001) that have questioned the contribution of education to development. But the evidence is overwhelmingly to the contrary.

[2] Elementary education in India refers to primary and upper-primary education, which together constitute 'compulsory' education and the Constitutional Directive. This can also be broadly equated to the concept of basic education used internationally, though the concept of 'basic education' has a different connotation in India, attributable to Mahatma Gandhi's philosophy of education.

[3] The alternative assumptions refer to the proportion of direct costs of schooling to foregone earnings. Assumption I assumes a higher proportion than Assumption II.

[4] There are a series of studies on rates of return on education in India, most of which have found positive and reasonably high rates of return to secondary and higher education. Tilak (1987, 1994) reviewed some of these studies.

[5] While literacy includes all the people who possess the ability to read and write, including people with all levels of education, *mere* or *just* literacy is defined here to refer to literates without any schooling.

[6] The number of observations in both cases is 28 (states/union territories in India); when all union territories were also considered (n = 32), the coefficient of correlation between higher education and poverty increased marginally to –0.38.

[7] Mathur (1990) also reported similar increasing coefficients of correlation by increasing levels of education between education and overall development on the district-wise data in 1971. He found the coefficient with secondary (matriculation) education highest, followed by higher education. See also Mathur (1987).

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— five —

FINANCING HIGHER EDUCATION IN INDIA

Principles, Practice and Policy Issues[*]

The new economic policies being adopted by the Government of India consisting of structural adjustment and stabilisation policies are feared widely to adversely affect public investment in social sectors like education and, within the education sector, higher education. Accordingly, many policy suggestions are being made to experiment with alternative methods of funding higher education under the broad umbrella of 'privatisation'. Specific suggestions in this context include student fees, student loans, graduate tax and privatisation in general. The government is also planning to fund education through external assistance. However, this was confined until now to elementary and technical education. Some sort of experimentation of these alternatives is called for. This chapter reflects on some of the most recent developments on financing Indian higher education.

The 'public good' characteristic of education has serious implications for financing of education. The nature of education as a public good and the contribution of higher education to economic development forms the content of the first section. Trends in growth of expenditure on higher education in India are reviewed in the subsequent section. Higher education is largely a State funded activity. The problems associated with the dominance of public finances in funding higher education are described in the third section. It is not only the inherent problems involved in excessive public subsidisation, but also the very fact that public budgets for higher education cannot rapidly expand further necessitate a search for mobilisation of additional resources. The final section critically reviews the various policy choices in this context, many of which come under the categories of extreme, strong, weak or pseudo forms of privatisation.

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Investment in Higher Education and Development

The implications of the two major theories in economics of education, namely the human capital theory (Schultz 1961) and the screening models (Arrow 1973; Spence 1973) for public financing of higher education, are considerable. The human capital theory provides strong support for public funding of higher education. On the other hand, if credentialism or screening theses provide a satisfactory explanation to the economic function of higher education, equity and efficiency arguments for public subsidisation of education do not stand, even though individual investments in education may not be affected. To date, the proponents of the latter theory have no strong empirical base. The result was the revival of faith in the human capital theory during the 1980s. Today, few question the basic tenets of the human capital theory. Empirical literature showing that investment in education contributes to increased labour productivity, higher individual earnings and higher levels of national economic growth is abundant. Equally strong evidence is also available to show that investment in education contributes to reduction in poverty and improvement in income distribution, besides social, demographic and political development.[1] It is universally found that of the different layers of education, investment in primary education carries higher returns, and higher education the least. This is true in the case of India as well (Tilak

1987). The effects of education on poverty and income distribution are also found to be of similar nature.

In this context, the financing of higher education needs to be critically examined. This is also necessitated in developing countries like India by a few more considerations. Basic needs in education like universal elementary education and universal literacy are not yet fulfilled. Targets that were to be achieved about half a century ago may remain unfulfilled even by the turn of the century. It is also realised that higher education can expand only at the cost of mass education programmes. Only those economies that check the growth of investment in higher education are found to be able to achieve universal primary education. Secondly, the number of educated unemployed is bulging year after year, resulting in the huge wastage of investment made by the society in higher education. In this overall background, a few major dimensions of investment in higher education in India are examined in this chapter.

The objective of education is human resource development, which in turn leads to overall national development. The concept of 'profit' does not figure in the theory of educational finances. Secondly, distributional considerations will be much more relevant in case of education than in the case of normal economic activities. Equity, efficiency and diversity are the three major goals that should guide educational planners in funding education. Besides, adequacy, built-in flexibility and autonomy constitute the basic principles of financial soundness of the education systems. As the mechanism of financing education has a significant bearing on the outcome of education, if education has to produce desired results, decisions regarding its financing should be based on sound principles rather than deriving them from projections based on mechanistic trends (Tilak 1990).

But investment in education in developing countries like India has not been an easy task. First, investing adequate resources for higher education is difficult because of low levels of economic development and the availability of scanty physical resources both in quality and quantity. Second, the very characteristics of education pose problems in making optimum investments in education. For example, education is both a form of consumption and an investment. If education is treated as an investment, it becomes an activity to be expanded; but if it is treated as consumption, it becomes an activity to be saved. Education being a mixture of the two, the application of normal economic investment criteria becomes difficult. Education is also an activity that yields huge direct and indirect benefits. But many of the indirect benefits cannot be quantified, making accurate estimates of social benefits of education difficult and, subsequently, investment decisions in the benefit-cost framework more complicated. Further, education is a sector where the gestation period is rather long. Developing economies can hardly afford long gestation periods and the consequences of such investment in activities of long gestation periods, in terms of inflationary trends. Because of these and other generally well-known peculiar characteristic features of education, optimum investment in education is rarely made. In India, even though education is officially regarded as 'investment' or 'a crucial investment for national development and survival' (Government of India 1986), national accounts still categorise education as a social service along with recreation and culture.

It is not only the normal investment criteria, but also the principles of pricing and financing that do not apply to public good sectors like education. The theory of marginal pricing fails in the case of education, *inter alia*, due to (a) externalities of education, (b) inadequate information and knowledge of the benefits of education, (c) distortions in the labour market, (d) distortions in financial markets and (e) as education cannot be rationed or limited to only those who are able to pay for it (Jimenez 1987: 23–25). Thus, as education is characterised by externalities, public good and merit good arguments, non-exclusiveness and scale economies, its financing and pricing becomes really a complicated policy issue. Among these, the public good arguments seem to be most important. But what is 'public good' about education?

Education as a 'Public Good'

While education is generally regarded as a public good, higher education is regarded aptly as a quasi-public good, as it is neither a pure public good like national defence or clean environment and pure air, the benefits of which are received by all members of the society equally, nor is it, of course, a pure private good like food or clothing, the benefits of which are exclusive to those who consume. It is both a private and public (or social) good. Private individuals may not be willing to pay for pure public goods, as those who pay for them cannot exclude those who do not pay for from receiving the benefits, and there is no rivalry in consumption, them being 'collective consumption goods', having 'external effects' (Samuelson 1954). Hence, the government must tax citizens and provide pure public goods out of the general tax revenue. On the other hand, individuals purchase a sufficient quantum of pure private goods as the exclusion principle does not apply in case of such goods, and the society's consumption may be at an optimum level, making government intervention generally unnecessary.

Problems arise in the context of semi- or quasi-public goods like higher education. In case of such goods, individuals will be willing to pay for them as these goods are associated with private returns. But the returns are not exclusive to the individuals who purchase. It is not possible to exclude the less educated from the various externalities generated from the higher-educated individuals. The rest of the society also benefits along with those individuals who invest in education. The neighbourhood or externality benefits of education are indeed quite significant. In other words, the social benefits are not simply equal to the sum of private benefits. The non-private benefits are substantial too. But the purchasers of these quasi-public goods do not take into account the non-private benefits of education, and the social benefits are far greater than those perceived by individuals. As a result, the total private investment in education would not be equal to the society's desired or optimum levels of investment in education. At the same time, as there are individual returns to investment in *quasi*-public goods, investment does take place in the individual domain, and there does exist a private market, but the private market cannot ensure optimum levels of social investment. Accordingly, government intervention becomes necessary in the provision of *quasi*-public goods. In case of pure private goods, individual choices are important, or consumer sovereignty exists. But in the case of quasi-public goods like education are concerned, the government intervenes to change, if not override, the tastes for and demand of the people for quality and quantum, as education also represents a 'social merit good'.

Thus, public financing of education is required essentially because of the public good and merit good characteristics of education. Education being a public good, its social benefits exceed private benefits significantly. That externalities of education outweigh the direct benefits was noted long ago (for example, Friedman 1955). Buyers of education confer external benefits on those not purchasing education. By taxing those who receive these benefits and subsidising those purchasing education, the welfare of both groups can be improved.

In this context, several ways in which education generates public goods—are identified: contribution of education to economic growth, distribution, to democracy, crime reduction, better citizenry and so on. Education enhances the earning levels of not only those who receive education, but also those of others; a better-educated current generation may contribute to the higher earnings of future generations. Education provides opportunities for better cultivation of potential talents. This benefits each individual in society, improves occupational flexibility and social mobility, promotes voluntary responsibility for welfare activities, creates a general healthy environment for national development and helps redistribute economic outcomes, namely income and well-being. Among the non-economic benefits, better citizenry, reduction in crime, improved health conditions and political democracy are felt to be the most important. For example, each individual will be healthier if all other individuals learn better methods of sanitation; each pedestrian and driver is likely to be safer when all drivers are able to read traffic signs; each citizen would be happier if other citizens voted rationally; and so on. Further, education is one mechanism through which the shared norms and common experiences that contribute to social cohesion and stability are inculcated. Thus, education may be said to generate the public good of social cohesion and stability. Above all, the benefits that one individual derives from the general level of education does not diminish the benefits that anyone else derives from it. Rather, education widens intellectual horizons of both the educated and the uneducated, contributing to the enhanced enjoyment of life and leisure. The general level of educational attainment in a society is, therefore, a public good, and as such, a free-market economy cannot entirely provide it in the right amounts.

While the public good characteristics of education are generally well recognised, few empirical details are available on the exact nature and quantum of these externalities and, more importantly, on the quantum of externalities by levels of education. However, it is widely felt that these externalities or spill-over benefits of education are maximum with respect to the primary level of education and they decline with increasing levels of education. On the other hand, individual benefits increase by increasing levels of education. In other words, externalities of higher education are not as high as the externalities associated with primary education. Higher externalities associated with primary education partly explain the weak private demand for primary education; lower the externalities in higher education, the excess demand for higher education. In short, while primary education can be viewed as a pure public good, higher education can be viewed only as a quasi-public good.

Returns to Higher Education

Even ignoring the externalities, the contribution of higher education to development in India is found to be quite significant. For example, the contribution of higher education to research and development and towards the realisation of self-sufficiency in a variety of areas is found to be empirically significant—for example, self-sufficiency, including in food, has led to the transformation of a food-importing country into a major food grains exporting country. Higher education in India has also helped in the spread of science and technology, building up a huge reservoir of science and technology manpower in these areas, which is the third largest in the world.

Confining to quantitative direct monetary benefits, several estimates are made on economic returns to higher education in India and they are given in Table 5.1. Though the several estimates

Table 5.1: Rates of Returns to Higher Education (%)

Reference period	*Source (researcher)*	*General*		*Professional*	
		Social	*Private*	*Social*	*Private*
1950–54	Hussain (1967)	3.6	11.2	3.0	9.0
1957	Harberger (1965)	16.9	—	—	—
1960–61	Nallagoundan (1967)	7.0	8.1	9.8	13.5
1960–61	Selowsky (1967)	12.8	—	—	—
1960–61	Blaug et al.(1969)	8.9	10.4	12.5	15.5
1964–65	Pandit (1972)	< 5.0	8.2	< 5.0	5.6
1965–66	Kothari (1%7)	10.0	14.0	22.0	25.0
1967–68	Goel (1975)	6.3	8.5	—	—
1977–78	Tilak (1987)	8.5	9.0	12.5	14.9
1980–81	Debi (1988)	16.7	20.3	11.1	13.2

Note: All are weighted averages of the First and Second Degree programmes in higher education.

Source: Debi (1988) for 1980–81; Tilak (1987) for the others.

are not strictly comparable, a few generalised conclusions may be drawn as follows: (a) investment in higher education in India is economically efficient, as the rates of returns are fairly high compared to the alternative rates of return; (b) higher education, like other levels of education, yields higher returns to individuals than it does to the society at large, as, after all, huge public subsidies make higher education more attractive to individuals; (c) unlike the general pattern of declining returns to increasing levels of education observed in a cross-section of countries (Psacharopoulos 1985) as well as in India (Tilak 1987), within higher education, second-degree education yields higher rates of returns than first-degree education both with respect to general and professional education; (d) professional education carries with it higher returns than general education, which explains the maddening rush for admissions to medical and engineering colleges compared to arts and science courses—however, there is not much difference between the rates of returns on several professional courses; and (e) the time trends in rates of returns are not consistent but seem to increase over time.

Thus, the positive and high rates of returns suggest that strictly on the grounds of economic efficiency, the pay-offs from higher education are high enough to justify investment in higher education from both individual and public purses. These estimates of rates of returns also suggest the need for further investment in higher education.

Higher education also produces some perverse effects on economic growth, income distribution, unemployment and social unrest. These perverse effects can be reduced by carefully formulated policies of financing. Thus, the mechanism of financing higher education becomes crucially important. Public investment choices revolve not around the question of whether to invest in higher education or not, but around rather normative questions such as how to finance higher education or whether to expand higher education or primary education, and so on. Though public investment in higher education cannot be expanded, social investment in higher education can be expanded by tapping non-governmental sources, as it is clear that higher education is underinvested in and it does require large amounts of additional resources.

Trends in Expenditure on Higher Education

Total Expenditure

Higher education in India[2] is in a deepening financial crisis, with escalating costs and increasing needs of the system on the one hand, and declining resources on the other. However, it should be noted that a huge investment has been made on higher education in India. From a glance at the figures in Table 5.2, it is clear that expenditure on higher education increased remarkably between 1950–51 and 1983–84, the latest year for which comparable data are available, at an annual rate of growth of 14.8 per cent. This impressive growth is, however, more than offset by an increase in population, particularly student numbers in higher education. Inflation has played havoc with education. In real prices,[3] expenditure on higher education increased only by 11 times. On the whole, the trends suggest that higher education had a good start during the 1950s, saw golden

Table 5.2: Expenditure on Higher Education and Relative Priorities

	Total in million (Rs)		*Per pupil (Rs)*		*Percentage share of*		
	at current prices	*at 1970–71 prices*	*at current prices*	*at 1970–71 prices*	*higher education*		*total education in GNP*
					in GNP	*in total expenditure on education*	
1950–51	171.5	480.4	408.33	1,143.77	0.19	18.6	1.2
1955–56	283.8	695.6	383.51	939.98	0.29	24.7	2.0
1960–61	544.7	988.6	495.18	898.69	0.39	21.2	2.5
1965–66	1,269.6	1,746.4	607.46	835.57	0.58	27.2	2.8
1970–71	2,791.2	2,791.2	843.26	843.26	0.77	29.0	3.1
1975–76	4,673.8	2,701.6	1,052.66	608.47	0.70	26.1	3.2
1980–81	10,792.0	4,194.3	1,889.42	734.33	0.98	30.7	3.0
1981–82	12,016.4	4,271.7	2,369.16	842.22	0.84	25.6	2.8
1982–83	13,869.2	4,804.0	2,335.28	808.90	0.88	28.2	3.0
1983–84	16,533.2	5,232.0	1,739.60	550.51	0.89	29.9	3.0
Annual growth rate (%)							
1950–51/1960–61	12.3	7.5	1.9	–2.4			
1960–61/1970–71	17.8	11.0	5.4	–0.7			
1970–71/1980–81	14.5	4.2	8.4	–1.4			
1980–81/1983–84	15.3	7.6	–28.0	–10.1			
1950–51/1983–84	14.8	1.5	4.5	–2.2			

Source: Based on *Education in India* (various volumes and years), Ministry of Education, Government of India, New Delhi.

days during the 1960s, but suffered significantly during the 1970s as educational planners aimed at the consolidation of higher education instead of its rapid expansion, and showed some tendencies to recover during the 1980s. Detailed and more recent data, when available, will only tell us how higher education fared during the 1980s. However, it is feared that the economic problems of the 1980s might not have allowed public investments to grow at a very rapid rate. All this suggests that the trends in growth of expenditure on higher education in India are in conformity with the world trends in growth on expenditure on education—the halcyon days of the 1960s, followed by a slump during the 1970s and tendencies to recover during the 1980s.

It may also be noted that the growth in expenditure on higher education in India has always been higher than the rate of economic growth. Thus, Wagner's (1890) prediction has proven to be accurate in the case of higher education in India that public expenditure would increase at a faster rate than national output. After all, State activity would need to increase as a result of social progress in a welfare state like India.

Relative Priorities

There are four layers of decisions with regard to the allocation of resources to higher education—the share of higher education in national income and government budget, the share of higher education in the total education budget, the allocation of these resources among various institutions and their distribution between the different activities or functions.

Starting from a very low figure of 0.19 per cent of the gross national product (GNP) invested in higher education in 1950–51, the share of higher education increased four-fold by 1983–84, as shown in Table 5.2. However, it constituted barely 0.9 per cent of the GNP after three-and-a-half decades of development, while during this period, the share of total education in GNP increased from 1.2 per cent in 1950–51 to 3 per cent in 1983–84. In the total expenditure on education, the share of higher education was less than one-fifth in 1950–51, increased to about a quarter by 1955–56 and stabilised at around one-fourth, suggesting that the relative importance given to higher education in the total education system has remained unchanged since the beginning of the Second Five Year Plan.

TABLE 5.3: Higher Education in Five Year Plans

Five Year Plans	*Percentage share of*		
	Education in total	*Higher education in total*	
	Plan outlay	*Plan outlay*	*Education outlay*
First Five Year Plan	7.86	0.71	9
Second Five Year Plan	5.83	1.02	18
Third Five Year Plan	6.87	1.01	15
Plan interregnum	4.60	1.16	24
Fourth Five Year Plan	4.90	1.24	25
Fifth Five Year Plan	3.27	0.52	22
Sixth Five Year Plan	2.70	0.49	18
Seventh Five Year Plan	3.70	0.53	14

Source: Based on Five Year Plan(s) and Annual Plan(s), Planning Commission, New Delhi.

The Five Year Plans represent serious efforts of the planners in India towards further development of the system. The share of higher education doubled in the total education outlay from 9 per cent in the First Five Year Plan to 18 per cent in the Second Five Year Plan, and increased to an all time peak of 25 per cent in the Fourth Five Year Plan. It has been consistently declining ever since and was about 14 per cent in the Seventh Five Year Plan (Table 5.3). The relative importance given in the Five Year Plans to education itself has been declining gradually over the years. It would be interesting to interpret these trends in the framework of public finance, particularly as a phenomenon of the 'displacement effect' (Peacock and Wiseman 1961, 1968), according to which public expenditure on social sectors like education gets displaced due to economic problems created by war and other crises, and more importantly, public expenditure levels do not go back to what they were before (that is, the pre-war levels) even several years after the economic crisis.

TABLE 5.4: Expenditure per Pupil on Selected Layers and Types of Higher Education (Rs)

	Universities and other institutions	Colleges		Selected Professional faculties			
		General	Professional	Engineering and technology	Medicine	Veterinary	Agriculture and forestry
At Current Prices							
1950–51	1905.6	231.2	779.2	886.1	1010.1	3012.0	1385.5
1960–61	2524.2	302.4	813.4	1091.6	1551.6	—	1251.3
1970–71	4141.2	421.6	1179.0	1591.8	2696.5	7343.6	2621.7
1975–76	5993.6	572.5	1539.9	1842.7	3724.5	9743.6	4393.4
1980–81	10858.4	1245.8		2545.2	6723.5	15270.7	7146.8
1983–84	13378.9	1471.3		4610.0	9162.7	17814.5	8946.7
Growth Rate							
1950/51–1983/84	6.08	3.29*		5.12	6.91	5.53	5.81

(contd)

Table 5.4 (contd)

	Universities and other institutions	*Colleges*		*Selected Professional faculties*			
		General	*Professional*	*Engineering and technology*	*Medicine*	*Veterinary*	*Agriculture and forestry*
At Constant (1970–71) Prices							
1950–51	4011.7	486.7	1640.4	1694.2	1931.3	5758.9	2649.1
1960–61	4581.1	548.8	1476.2	1982.3	2818.3	—	2272.4
1970–71	4141.2	421.6	1179.0	1510.6	2559.0	6969.1	2488.0
1975–76	3664.5	330.9	890.1	1188.5	2402.3	6284.6	2833.0
1980–81	4220.1	484.2		989.2	2613.1	5935.0	2777.6
1983–84	4233.8	465.6		1458.9	2899.6	5637.5	2831.2
Growth Rate							
1950/51–1983/84	0.16	–2.47*		–0.45	1.24	–0.06	0.20

* Based on a simple average of General and Professional categories for 1950–51.

— Not available.

Note: Strictly comparable data for the later years are not available, after 1975–76.

Source: Estimated by the author on the basis of *Education in India* (various volumes and years).

Declining Unit Costs

Estimates on unit costs, or simply expenditure per pupil, are indicative of the quality and efficiency of education. Public expenditure per pupil on every level of education increased by several times during the post-Independence period. The 97-times increase in the total expenditure on higher education has not been sufficient to keep pace with increase in enrolments. Consequently, expenditure per pupil increased barely 4.3 times during this period. More importantly, the real expenditure per pupil in higher education has registered a negative growth (Table 5.2). Expenditure on education per pupil in 1983–84 was just about 50 per cent of the corresponding expenditure in 1950–51. It never went back to the level of 1950–51! Price inflation affected adversely higher education more significantly than any other level.[4] Real expenditure per pupil fell in each of the three layers/types of higher education, namely university, college for general education and college for professional education, during the 25 years (1950–51 to 1975–76) for which comparable data are available (Table 5.4). Higher professional education indeed suffered the most as the expenditure per pupil declined by about 50 per cent. However, not all professional faculties suffered; medicine, veterinary, agriculture and forestry registered modest increases in real expenditure per pupil, while engineering and technology education registered reported negative growths. As the technology of instruction in higher education did not change significantly until the late 1980s, the decline in real costs between 1950–51 and 1983–84 reflects the declining quality of higher education.

Recurring and Non-recurring Costs

It is difficult to determine a proper mix of recurrent and capital investments in higher education. The mix should depend upon the technology of the higher education system and relative prices. While no detailed examination is available on these aspects, it is generally felt that the existing mix in India represents a misallocation. Higher education is a labour-intensive activity and the financial allocations vindicate this. The labour-intensive nature of the higher education system makes the system costly, as the salaries escalate with economic growth and increase in prices. This realisation in the recent periods has contributed to distance-learning systems in higher education in the form of correspondence courses and open universities, which have been found to be less costly (cost per student being much less), and are characterised by relatively lower shares of teacher salaries in total expenditure and a higher share of student fees in the total income than conventional higher education.

It is widely recognised that for quantitative expansion and qualitative improvement, or even to maintain the present levels of quality in higher education, and increasing student numbers, higher education in India requires huge resources.[5] Underinvestment in higher education in India is also reflected in the reasonably high rates of return, as has already been noted earlier.

Sources of Finances for Higher Education

Because of the very inherent characteristics of education such as the 'merit-want' nature of education, mixed financing is a common feature of education systems in non-Communist countries, where the State as well as the private sector invest in education. The various sources of finances for education in India, excluding foreign aid, can be classified as follows: (a) from the government sector, including (i) the Central Government, (ii) state governments and (iii) local governments (or local bodies) such as Zilla Parishads, Panchayats and municipalities; and (b) from non-governmental sector, including (i) students and parents (or families) in the form of fees or other maintenance expenditure, (ii) the rest of the community at large in the form of donations or endowments and (iii) others. Statistics on publicly accounted expenditure on higher education include expenditure on all the items mentioned above, except the non-fee maintenance expenditure of households on the education of their children, which is quite substantial as we note later.

The Dominance of State Finances

The share of the government (central and state) in the publicly accounted total expenditure on higher education in India increased from 49 per cent in 1950–51 to 80 per cent in 1983–84 (Table 5.5a). Thus, all institutions of higher education rely extensively on public funds. Some institutions of higher education, like 'the institutions of national importance' that are involved in science and technology education and research activities, and also colleges below the degree level that provide diploma and certificate courses, rely on

TABLE 5.5(a): Sources of Funds for Total and Higher Education (%)

	Government	*Local bodies*	*Fees*	*Others*	*Total*
Total education sector					
1950–51	57.1	10.9	20.4	11.6	100
1955–56	61.8	8.6	20.0	9.6	100
1960–61	68.0	6.5	11.2	8.3	100
1965–66	70.3	6.2	15.7	7.8	100
1970–71	75.6	5.7	12.8	5.9	100
1975–76	70.5	—	—	—	100
1980–81	81.7	4.4	8.2	5.4	100
1981–82	812	5.1	8.0	5.7	100
1982–83	83.0	5.3	7.7	4.0	100
1983–84	83.1	5.6	7.5	3.8	100
Higher education					
1950–51	49.1	0.3	36.8	13.8	100
1955–56	47.6	0.3	39.4	12.2	100
1960–61	53.1	0.4	34.8	11.7	100
1965–66	59.0	0.4	28.6	12.0	100
1970–71	60.4	0.5	25.5	13.5	100
1975–76	69.6	—	—	—	100
1980–81	72.0	0.8	17.4	10.8	100
1981–82	78.8	0.8	14.5	6.3	100
1982–83	19.5	0.7	13.7	6.2	100
1983–84	79.6	1.1	13.8	5.4	100

Note: —Not available.

Source: Based on *Education in India* (various years). Ministry of Human Resource Development, Government of India.

public funds to the extent of 86–92 per cent. The steep increase in the role of the government and relative fall of all other sources are not totally inexplicable. In fact, it is in conformity with the general 'law of ever-State increasing activity' operative in several countries in the sphere of education. But the share of the non-governmental sector in India has declined remarkably. Students' contributions in the form of fees[6] used to form more than one-third of the total funds until the beginning of the 1960s; its relative share declined to less than half of what it was in 1950–51. The share of the 'other' sources[7] also declined. For fees to play any meaningful role in financing higher education, they should be related to the costs of higher education. But fees and also subsidies (scholarships and other financial assistance) in higher education are independent of the cost structure, as can be noted from Table 5.6.

TABLE 5.5(b): Detailed Source-wise Income of Higher Education, 1983–84

	Recurring		*Non-recurring*		*Total*	
	Rupees per student	*%*	*Rupees per student*	*%*	*Rupees per student*	*%*
Government sources						
Central Government	176.10	10.9	41.08	23.4	217.18	12.1
State government	929.91	57.6	58.07	33.1	987.98	55.2
UGC	94.62	5.9	31.55	18.0	126.17	7.0
University	86.04	5.3	4.97	2.8	91.01	5.1
Local bodies	18.20	1.1	2.20	1.3	20.40	1.1
Non-government sources						
Fees	222.74	13.8	—	—	222.74	12.4
Endowments	7.71	0.5	—	—	7.71	0.4
Others	79.50	4.9	37.42	21.3	116.92	6.5
Total	1,614.82	100.0	175.29	100.0	1,790.11	100.0

Note: —Nil or negligible.

Source: Based on *Education in India* (various years).

TABLE 5.6: Recurrent Costs, Fees and Subsidies in Higher Education, 1983–84

	Recurring cost	*Fees*	*Direct subsidies*	*Net fee (fee minus subsidies)*	*Fees*	*As % of cost*	
						Subsidies	*Net fees*
Universities	11,254	1,673	385	1,288	14.9	3.4	11.4
Deemed universities	19,163	5,260	990	4,270	27.4	5.2	22.3
Institutions of national importance	44,421	964	2,445	–1,481	2.2	5.5	–3.3
Research institutions	42,221	248	819	–571	0.6	1.9	–1.4
Colleges: Degree standard and above	1,471	227	91	136	15.4	6.2	9.2
Business management	12,221	1,496	186	1,310	12.2	1.5	10.7
Engineering, technology and architecture	4,610	729	239	490	15.8	5.2	10.6
Medicine	9,162	588	594	–6	6.4	6.5	–0.1
Colleges: Degree standard and below	1,521	220	97	123	14.5	6.4	8.1

Source: Based on *Education in India*, 1983–84.

Thus, higher education in India is characterised by massive public investment, which is still regarded as much below the optimum level. Such a rapid growth in the public financing of higher education in the country has been necessary for the following reasons: (a) The facilities for higher education available at the time of Independence were insignificant. Independence had created an abnormal increase in the social demand—genuine as well as politically induced, irrelevant demand—for higher education, and public expenditure had to cope with this demand. (b) The building up of a new socio-economic system after the end of the colonial rule required a large-scale manpower with varied skills. So the government could not but expand investment in higher education. (c) The very development models lay emphasis on a highly skilled labour force and the building up of a huge social infrastructure for excellence in science and technology, and research and development. (d) Government policies towards equality in education led to the growth of public investment in education since it involved providing huge direct subsidies at all levels of education to a substantial number of students belonging to the weaker sections. (e) The rapid growth of school education naturally pushed the demand for higher education.

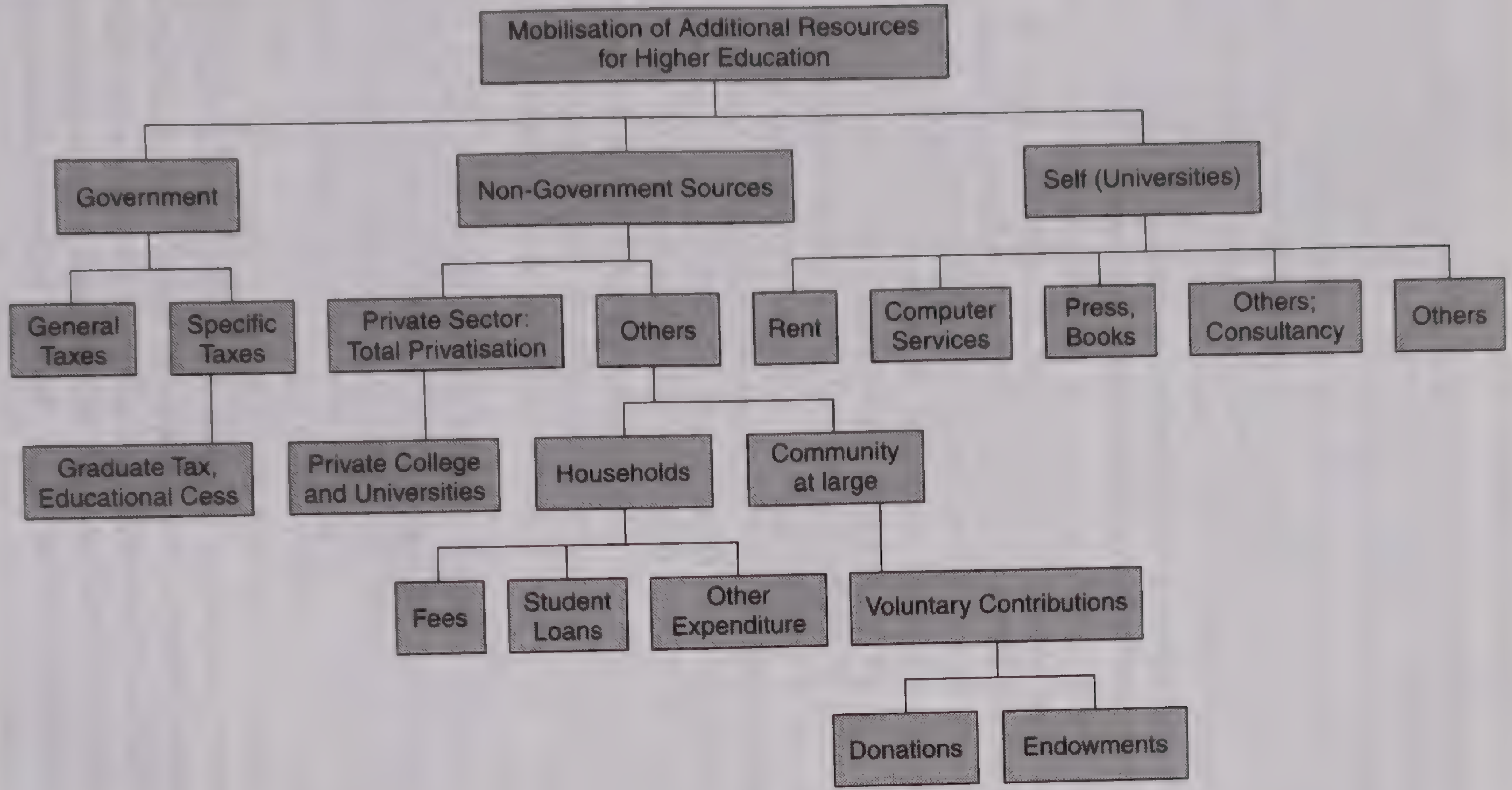
However, public financing of higher education in India also has major limitations: (a) While the social rates of returns to higher education are high, they are nevertheless less than the corresponding private rates of returns, suggesting the need for increasing the private share in funding higher education strictly from an economic efficiency point of view. (b) Even though the rapid growth of higher education in the post-Independence period resulted in the democratisation of higher education, a majority of the students in higher education are still from relatively economically better-off sections of society whose ability to pay is higher than what they actually pay. (c) The revenue of the government in India is largely made of indirect taxes to the extent of 85 per cent of the total tax revenue; direct taxes paid by the rich constitute only a small proportion. Hence, and given point (b), if higher education is to be financed out of the general tax revenue, it means in effect, transferring the resources from the poor to the rich. In other words, huge indiscriminate public subsidisation of higher education may be highly inequitable with serious regressive effects on income distribution. (d) The growth in expenditure on higher education is believed to be possible only at the cost of growth of elementary education, a sector characterised by an even more severe underinvestment. It may be noted that elementary education produces higher pay-offs both for economic growth (in terms of high economic returns) and improvement in income distribution. As a result, it is difficult to make a case for higher education, and for the corresponding general-subsidy approach, than for school education.

Mobilisation of Resources for Higher Education

Public budgets for higher education are, at best, stagnant and indeed declining in terms of real prices. In the present context, because of financial constraints, the government is not in a position to maintain, not to speak of increasing, the present level of public subsidies to higher education significantly, as was made clear in the 1992–93 annual budget of the Government of India. Hence, there is need for the mobilisation of additional resources. Since higher education is a quasi-public good, 100 per cent public financing may be economically unjustified. As private individuals also benefit from the system, it is reasonable that they share a proportion of the costs. However, where should public financing of education end and where should family financing begin? No theory of optimum mix of public and private financing of education has till date been generated.

The various sources of finances for higher education in India and their potential for the generation of additional resources are being discussed (for example, Government of India 1990; Dandekar 1991; Tilak 1991c). The proposals are essentially of two kinds: (a) those calling for the provision of additional resources for higher education out of the government's tax revenue and (b) those suggesting a mobilisation of resources from non-governmental sources. Figure 5.1 outlines some of these various sources of mobilisation of resources. Financing of higher education out of the general tax revenue has already been discussed in earlier sections. One method suggested in this context is the mobilisation of extra resources through additional but specific taxes such as the graduate tax.

FIGURE 5.1: Mobilisation of Resources for Higher Education in India


Mobilisation of Additional Resources for Higher Education
Government
Non-Government Sources
Self (Universities)
General Taxes
Specific Taxes
Private Sector: Total Privatisation
Others
Rent
Computer Services
Press, Books
Others; Consultancy
Others
Graduate Tax, Educational Cess
Private College and Universities
Households
Community at large
Fees
Student Loans
Other Expenditure
Voluntary Contributions
Donations
Endowments

Earmarked Taxes: The Graduate Tax

As against public financing of higher education out of general tax revenue, there are arguments in favour of earmarked taxes like the graduate tax. Specifically, a graduate tax is an education-specific tax to be levied on those who use the educated manpower. The basic argument is that employers who employ a higher-educated labour force should be required to share the costs of production of this highly skilled 'human capital'. Just as private enterprises pay interest for physical capital, it seems justified to require the private sector to pay for the production of human capital, or interest on human capital, in the form of a graduate tax as well. In effect, professional education in particular should be financed out of earmarked taxes like the graduate tax, levied on the manufacturing industry and trade. The taxes could be levied based on the wage bill referring to the skilled labour force employed, or number of graduates employed.

The amount of tax needs to be based on the cost of education and number of graduates employed. Since the graduate tax is linked to the cost of education, the rate of graduate tax also has to vary depending upon the type of graduates employed. In general, one can expect that the graduate tax for employing an engineering graduate will be proportionately higher than the same for employing a graduate in the arts. Once employers start paying the graduate tax, the resources thus accruing to the education system can form a reliable and continuous source of financing education in the years to come.

The main drawback of graduate tax, however, is that it might work as a disincentive to employers to employ graduates. Depending upon the elasticity of the substitution between the several levels/types of graduates, employers may tend to employ a 'cheaper' graduate or a secondary-school product. All this may aggravate the problem of educated unemployment unless the education-productivity relationship becomes very strong and the elasticity of substitution between several types of higher education becomes less. This puts a burden on human capital intensive units, and the employers may try to substitute human capital for physical capital on the one hand, and the higher-educated with the lower-educated on the other.

Educational Cess

While graduate tax is not experimented with, educational cess has been in vogue in several states in India, though not specifically for higher education. Educational cess, payable by all members in a given region, is an earmarked levy to be used for a specific purpose. Usually, a cess is levied as a fraction of some other tax. For example, a cess for public financing of libraries is attached to professional tax or urban property tax. In rural areas, cess is levied as a proportion of land revenue. However, cess is used largely for school education.

Economic theory provides some justification for earmarked or special taxes. Some argue that by assigning revenue from specific sources to education, the expenditure on education can be increased. Earmarked taxes may protect the education sector from shifting allocations, inefficiency and corruption and assure minimum levels of finances. Thus, as funds for education from the general tax revenue are subject to indiscrete cuts, earmarked taxes form a 'sure source of funds for education, [and they have] to be preferred to general fund financing' (Panchamukhi 1989: 44).

However, many economists have been sceptical about earmarked taxes. Generally, earmarked taxes and cesses have a very restricted tax base. Hence, revenue from these sources can be a supplement, not a substitute, to financing from general tax revenue. In case of education in particular, earmarked sources provide a small fraction of the total requirements and the education sector has to depend upon allocations from the general tax revenue, making the role of earmarked taxes insignificant. Further, low levels of revenues along with huge costs involved in the administration and collection of these taxes make the whole system of earmarked taxes economically inefficient (McCleary 1991).

Private Finances for Higher Education

Several forms of what is familiarly known as 'privatisation'[8] of higher education can be classified as follows (Tilak 1991a): (a) an extreme version of privatisation implying total privatisation of higher education, where colleges and universities are managed and funded by the private sector with little government intervention;

(b) privatisation of a strong form meaning recovery of full costs of higher education from users, namely the students; (c) a weak or mild version of privatisation implying a public provision for higher education but with a reasonable level of finances mobilised from non-governmental sources as well; and (d) pseudo-privatisation implying private provision of education with public finances. Due to the externalities associated with higher education, privatisation of Type (b) mentioned above may neither be desirable nor empirically feasible, and Type (d) has resulted in private affluence and public poverty in India. Then, our choice is confined to (a) and (c) only, which are discussed below.

The Extreme Version of Privatisation: Role of the Private Sector

In the Indian mixed economy, where the contribution of the private sector has been significant in general, the contribution of the private sector to higher education has not been encouraging. To start with, private colleges in India that form about three-quarters of the total number of colleges are of two types: (a) privately managed but publicly funded colleges familiarly known as (government) 'aided' colleges and (b) privately managed and funded colleges known as 'unaided' colleges. A substantial number of private colleges belong to the former category; they receive government aid to meet almost the whole recurrent expenditure. Hence, strictly from the point of view of finances, such private colleges do not have any significant role in financing higher education.

Pure or 'unaided' private colleges do provide financial relief to the government in providing higher education, but at huge and long-term economic and non-economic costs to the society (Kothari 1986). Such institutions are a recent phenomenon. They are the result of private enterprise and initiative. In the very recent period, the growth of private engineering and medical colleges has been remarkable. These colleges receive little public support. They charge huge donations and capitation fees ranging anywhere from Rs 50,000 to 20–30 times more per student, and abnormal levels of fees, 10–20 times the fees in government colleges. Most recently, efforts are made in some states to allow the 'auctioning' of 50 per cent of the admissions in such professional colleges to the highest bidders, irrespective of their relative ranks order in the merit or entrance tests. While other colleges are, by definition, non-profit institutions, these institutions not merely cover their costs, but also make huge 'quick profits', which are not necessarily reinvested in education. There has also been a growth of what are known as 'parallel' colleges (Nair and Ajit 1984; Mathew 1990) or teaching shops, which also share several of these features. Some of these colleges are registered under the Shops and Establishments Act. Thus, higher education is subject to vulgar commercialisation.

On the demand side, private colleges have been growing in numbers essentially due to the existence of excess demand particularly from the upper classes and those who fail to get admissions to government colleges for higher education. Rarely is the quality of these institutions regarded as superior. From the point of view of suppliers, motives of profit influence, and political power explains, the growth of these private colleges. Educational considerations hardly figure in this context. No surprise if one terms these colleges as 'bastard colleges', born illegally doing legal business or legally born to do illegal business (Singh 1983). All these colleges indeed constitute a vulgar form of privatisation (Tilak 1992c).

A Moderate Form of Privatisation: Contribution of Private Finances for Public Higher Education

The non-governmental sector contributes to public higher education in a variety of ways, namely through household expenditure, fees, student loans, voluntary contributions, etc. Substantial resources flow from non-governmental sector, but some of them are not properly accounted for. One such category is the family expenditure on higher education.

Household Expenditure

A general impression is that households in India spend very little on education, including higher education and that higher education is provided by the government almost free to everybody. It is also felt that knowledge of such information is not necessary for State educational planners. Accordingly, few have paid attention to the estimation of household expenditure on education. But the available scanty evidence, presented in Table 5.7, shows that (a) households invest considerable amounts on higher education on various items and (b) more importantly, the household expenditure is almost equivalent to institutional costs (see also Tilak 1991b). Further, detailed knowledge on these aspects helps in the formulation of fee and subsidy policies meaningfully. The present fee and subsidy policies do not have any relationship to the current levels of household expenditure and the willingness and ability of households to pay for higher education. Such information is also useful for the estimation of price elasticities of demand for higher education.

Table 5.7: Household Expenditure on Higher Education in Kerala for Postgraduate (M.A. / M.Com.) Courses (Rs per Pupil), 1985–86

	First year	*Second year*	*Average per year*
Admission costs	121.19	0	60.60
Tuition and special fees	131.00	127.81	129.41
Examination fees	31.62	37.71	34.67
Books, stationery, etc.	362.94	476.46	419.70
Study tours, etc.	39.22	53.88	46.55
Boarding and lodging	2,161.67	3,129.65	2,645.66
Travel	300.08	472.00	386.04
Clothes	547.38	547.14	547.26
Medical expenses	493.44	687.88	590.66
Entertainment	285.28	431.88	358.58
Miscellaneous	274.79	419.88	347.34
Total	4,748.61	6,384.29	5,566.45
Direct subsidies received	669.10	709.71	689.41
Total minus subsidies	4,079.51	5,674.58	4,877.05
Institutional cost	5,717.67	5,717.67	5,717.67

Source: Nair (1990: 43–50).

Fees

In ideal conditions, fees can be effectively used not only as a source of revenue for the government, but also as an effective tool for planning higher education by influencing demand for various types of higher education. However, in India it is rarely used effectively for either purpose.

As already noted, the share of fees in financing higher education has declined steeply over the years, even though the levels of living have been rising. There is almost a consensus among educational planners on the need to increase fees. However, a uniform increase in fees may have adverse effects on equity in higher education, although, on the whole, higher education being the favoured sector of the privileged, student composition is not homogeneous. Instead, a discriminatory fee structure may be preferred so that rich students pay higher shares of the costs as fees, and poorer students less (Tilak and Varghese 1985; Tilak 1990). Such a discriminatory pricing mechanism minimises the perverse effects of public subsidisation of higher education reflected through uniform and low levels of fees. In an unequal society, indiscriminate public subsidisation is inequitable because its incidence is higher on the relatively less privileged sections. Therefore, it is desirable to adopt a discriminatory fee structure based upon (a) the cost-fee disparity, (b) the share of fees (taking into account net fees, that is, fees minus scholarships) to the expenditure per student across disciplines and levels, (c) perhaps more importantly, the family income of the students and (d) the likely benefits for a given type or kind of education.[9]

The suggested pattern of discriminatory pricing may be efficient as it provides additional resources, is related to the costs of higher education and is equitable, as students are charged according to their abilities and according to the future likely benefits of their education. It should, however, be noted that the resource potential of discriminatory pricing or even a uniform increase in fees is not unlimited. Even though the relative share of fees has declined in India over the years, these figures are still comparable with those of many developed and developing countries (see Table 5.8).

TABLE 5.8: Share of Fees in Costs of Higher Education in Selected Countries (%)

	Share			*Share*
Developing Countries (around 1980)		*OECD Countries*		
Tanzania	0	Australia	1987	2.1
Bolivia	1.0	France	1975	2.9
Pakistan	2.1		1984	4.7
Colombia	3.4	Germany	1986	0
Philippines	3.7	Japan		
Brazil	5.0	Private 4-year Institutions	1971	75.8
Malaysia	5.8		1985	65.8
Thailand	6.9	Public Institutions	1970	2.0
Costa Rica	8.0		1987	8.8
Guatemala	10.0	All Institutions	1971	31.7
Nigeria	12.4		1985	35.8
Indonesia	13.0	Netherlands	1985	12.0
Turkey	15.0	Norway (Public Institutions)	1987	0
India (1983–84)	13.8	Spain	mid–1 980s	20.0
South Korea	23.4	United Kingdom	1970–71	6.3
Chile	25.4	Universities	1986–87	13.7
Philippines (1987)		Polytechnics (England)	1986–87	16.2
Private Institutions	2.3–2.5	United States		
Public Institutions (1985)	10.9	Private Institutions	1969–70	38.6
All Institutions	2.5–5.0		1984–85	38.7
Pakistan (1987–88)		Public Institutions	1969–70	15.1
Colleges	7.4		1984–85	14.5

(contd)

Table 5.8 (contd)

	Share			*Share*
Universities, General	1.9	All Institutions	1969–70	20.5
Universities, Technical	1.3		1986	22.4
Colombia				
Public Universities (1987)	9.6			
Private Universities (1989)	81.0	Non-OECD Developed Countries		
Venezuela (1986)		Canada		12.0
Public	3.8	Soviet Union		0
Private	83.0			
Papua New Guinea (1988–89)	4.4–9.0			

Source: Tilak (1992a).

Student Loans

Of late, the Government of India, constrained by the unavailability of public resources and influenced partly by international thinking, has begun showing an interest in the revitalisation of the student loan programme (see Tilak 1992b). There are several problems associated with student loans specific to countries like India, apart from the general inflationary effects of loans. First, psychologically, loans in general are not welcome in the Indian society. When needed, people may not mind borrowing for investment in physical capital or in other productive sectors that have shorter gestation periods, and for the necessary consumption activities like marriages, but they do in case of borrowing for the formation of 'invisible' human capital, the benefits of which, if any, are neither easily identified, quantifiable nor certain, and that too if any, flow after a long period. Second, the credit market in India is not well developed to float educational loans. The lending financial institutions seek security, which the economically weaker students for whom the programme is meant may not be able to provide. As a result, as Alfred Marshall (1890) noted, imperfect capital markets lead to underinvestment in education. As also recognised by many (for example, Pigou 1920; Friedman 1955; Nerlove 1975), most types of loans require collateral provisions that provide lenders compensation in the event of a default of the loan. Hence, even if investment in education carries higher rates of returns, loans may not be available to the poor due to problems of repayment, particularly in an economy characterised by an imperfect capital market on the one hand, and low levels of living on the other.

The most important problem faced with respect to student loans in India, as in most other developed and developing countries, relates to non-repayment of the loans. Of the total investment of Rs 869 million made on student loan programmes in India during 1963–64 to 1987–88, only 5.9 per cent was recovered. The upper estimates of recovery may be around 15 per cent in the recent years. Thus, the Indian experience with the recovery of national loan scholarships to students is not at all encouraging; in fact, it is more discouraging than in many developed countries.

There are two basic weaknesses underlying the philosophy of loans. The concept of student loans assumes a strong relationship between education, employment and earnings. When education does not guarantee employment, and as the repayment of loans becomes compulsory, people from relatively poorer sections get affected the worst. Second, the very nature of loans assumes the ability to repay, which would be inversely related with economic well-being. Hence, loans may adversely affect equity in and access to education.

In the Indian context, the basic failures of the student loan programme are due to the fact that the scheme was planned and implemented without any relation to the fee structure. Low levels of fees in general, along with loans, not only worsen the financial situation, but also produce perverse effects on distribution, as the rich get public subsidies in the form of low levels of fees, while the poor pay back in full for their education. Unless student loans are accompanied by carefully formulated policies regarding fees and scholarships, loan programmes in India can hardly hope to have any significant success.

Voluntary Contributions

Historically, education in India enjoyed the patronage of the members of the community who voluntarily contributed generously to education, both in cash and kind. But the relative role of these contributions has been declining. Voluntary contributions in the form of endowments and donations may be guided by purely philanthropic considerations or considerations of self-interest, such as status in society, the resultant tangible advantages in the form of political gains or gains in the job market for oneself or one's relatives, power and authority in the management, etc. Self-interest may also be in the form of tax advantages on account of donations. On the demand side of the education institutions, such contributions may also impinge on their autonomy. The quantitative significance of these various factors may not be easily determined, but it should be noted that they do play a considerable role in the higher education system, and public policies that influence these factors will have a significant effect on the total contributions. Coherent policies on tax relief and concessions on income tax, wealth tax and gift tax for financial contributions to higher education may induce substantial resources for higher education. Systematic efforts may also help in tapping voluntary contributions in kind in the form of local labour and material for the construction of buildings, etc. Also it may be noted that higher education, characterised by mixed (public and private) financing, has been found to generate more support from the community than full private or full public financing (Stubblebine 1965). This will also have implications for public policies on private colleges.

Effective Utilisation of Resources

Resource augmentation can take place by not only mobilising additional resources, but also using the available resources more efficiently. It is generally felt that there is great scope for improvement in the utilisation of financial resources in higher education in India. Rather, it is argued that a sizeable proportion of higher education budgets are 'wasted'. Perhaps, given that a disproportionately large proportion of expenditure (as high as 87 per cent) is of the 'non-plan' category, spent on teacher salaries and other 'committed' items, one feels that the scarce resources could be utilised much better.

A few studies (Lakdawala and Shah 1978; Sharma and Qamar 1990) have estimated the 'optimum size' of a college in India to be around 900–1,000 students, compared to the existing size of 650.[10] The cost per student at the optimum level would be 30 per cent less than at the present level. Therefore, it is concluded that nearly one-third of the resources in higher education are improperly used, if not 'wasted'. As Adiseshiah (1977) recommended, there should be technical, managerial and financial audits of how the existing resources are being deployed in the educational enterprise.

Conclusion

India, a resource-scarce developing economy, has been making huge investments in higher education. It is increasingly viewed that this is possible only at the cost of elementary and adult education. This view gains support as universal elementary education, a goal set four decades ago, still eludes us and barely half the population has the knowledge of the three basic *R*s to qualify as literate. At the same time, the requirements of higher education have been increasing. However, public budgets cannot allocate adequate amounts to higher education. This chapter provided a bird's-eye view of the several dimensions of the problem of financing higher education in India. Neither is the selection of the several aspects exhaustive, nor the treatment given to each issue.

As the public budgets get squeezed, the need for reforms in financing higher education becomes crucial. The structural adjustment and stabilisation policies further emphasise the need for reforms. A shift in thinking from reliance on public funds to privatisation is a very recent phenomenon. There are at least four versions of privatisation arguments—the extreme version of privatisation that implies total privatisation; private colleges and universities being managed and funded by the private sector; the strong form of privatisation, where higher education is publicly provided, but costs are fully recovered from the students; the moderate form of privatisation, where higher education is publicly provided with a reasonable level of finances mobilised from non-governmental sources; and pseudo-privatisation, where higher education is privately provided at public expense. The experience of private (unaided) colleges provides little basis to argue in favour of the first category; and the public good and social benefits arguments do not justify full cost recovery, even if it is empirically feasible; and pseudo-privatisation would not ease the financial problem. Hence, the choice revolves around the third category only. The Indian education system is not yet ready for other forms of privatisation. In this context, we have specifically discussed the role of student loans, voluntary contributions, graduate taxes, educational cess and students' fees in this chapter. While each measure has its own strengths and weaknesses, it is contended that the potential of students fees, if reformed on the lines suggested here, such as discriminatory pricing, would be great, both from the point of view of efficiency (mobilisation of additional resources) and equity (reduction in the regressive effects of public financing of higher education). At the same time, it is also noted that the resource potential of fee reforms is not unlimited. However, instead of relying on one or the other measure, a mix of these strategies may pay higher returns. Because of public good and other characteristics, the optimum level of public expenditure and optimum mix of government and non-government expenditure become indeterminate. In the final analysis, the actual mix of public subsidies and non-government finances for education in a society reflects the economic policies of the government, traditions and social policies of the given society.

Endnotes

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[1] Among several studies, see Tilak (1989) for a survey of the literature around the world.

[2] The definitions adopted by the UGC and the Department of Education are different, particularly with respect to higher education. While all post-secondary education is classified as higher education by the Department of Education, the UGC largely considers education levels of the first degree and above—the latter is increasingly viewed as a more appropriate definition. As a result, one finds significant differences in the estimates on total enrolments in higher education made by the Department of Education and UGC. For instance, according to the former, enrolment in higher education in India is currently about 10 million, while the latter estimates it to be about five million. As the UGC does not publish data on expenditure on higher education, one is constrained to use the data published by the Department of Education if one is interested particularly in the expenditure and related aspects of higher education.

[3] Figures on expenditure on higher education are converted into real prices with the help of the all-India wholesale price index.

[4] Compared to lower levels of education, the salaries of teachers and other staff form only a small proportion of the total recurrent costs in higher education, though it is also sizeable. Expenditure on other items can be subject to cuts both in money and real prices, but the wage bill cannot be reduced significantly. As a result, it is possible to have a negative growth in expenditure on higher education, but not at lower levels of education, where teachers' salaries form more than 95 per cent of the recurrent costs. See Tilak (1988a).

[5] For some interesting discussion on whether developing countries are spending too much or too little on higher education, see Birdsall (1988).

[6] Fees include all kinds of charges paid by the students, including tuition fees, fees on account of various items like registration, admission, examination, and so on.

[7] Other sources include voluntary donations, endowments and 'others'.

[8] It may be noted that some are opposed to the use of the very term 'privatisation'. For example, M. S. Adiseshiah observes: 'it is regretted that by the extensive use of the ugly, recently coined word "privatisation" some respectability has been attached to it' (personal communication).

[9] However, discrimination of other kinds may not be desirable. For example, discrimination on the basis of merit of students (higher fees for students unsuitable for higher education and lower fees for academically suitable students) leads to a deterioration in the overall quality of higher education; or discrimination in quality of education on the basis of fees

paid (Stubblebine 1965) results in a dual system of education, one for the rich and one for the poor.

[10] In 1978–79, it was estimated that a large number of colleges in the country (for example, two-thirds of the colleges in Assam, 59 per cent in Bihar, and 54 per cent in Orissa) were 'non-viable', with an enrolment below 270.

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— six —

FINANCING HIGHER EDUCATION UNDER STRUCTURAL ADJUSTMENT*

Economic reforms and market liberalisation are not ends in themselves but are means to achieve the goals of development ... If the latter cannot be achieved by market reforms, supplementary positive action must be adopted, and their financing must be provided for in any plan allocation of investible resources.

—Planning Commission (1996: 13)

... to compete in the world industrial economy, it is essential to have higher educational institutions, scientists, technologists and engineers. Universal primary and secondary education is a worthy goal in its own right, but alone it does not provide the wherewithal to compete in the international market.

—Ajit Singh (1994: 180).

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Global Economic Crisis and Adjustment

The now well-known adjustment policies adopted everywhere in the developing world since the late 1980s, and, in India, in the early

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1990s, have serious short-term and long-term implications for almost all sectors of the economy. The adjustment policies include major policy reforms and consist of two distinct strands of a single package: (a) short-term stabilisation policies attributable to the International Monetary Fund (IMF) and (b) long-term structural adjustment policies associated with the World Bank [International Bank for Reconstruction and Development (IBRD)]. Both signal a new wave of policy-oriented loans and constitute an important type of non-project lending of the Bretton Woods institutions. Stabilisation policies, essentially viewed as short-term demand-oriented devices to reduce macroeconomic imbalances, rely on demand management and include sustainable reductions in budgetary (fiscal and revenue) deficits; current account of the balance of payments; reduction in inflationary gaps through devaluation of local currency; reduction in government expenditure; reduction in public subsidies; control of bank credits; tax reforms; controls on wage increases; dismantling of price controls and allowing the market to determine prices; and so on. The most direct consequence of all this would be cuts in government spending leading to drastic reduction in public subsidies across the board, though the reductions need not necessarily be, and most often are not, uniform across all the sectors. Actually, the cutbacks in government expenditures are expected to be focused on unproductive or less productive sectors (Tanzi 1989: 25), and not necessarily on human capital development sectors like education and health. These short-term stabilisation policies, including the austerity measures of the IMF, have come into conflict with the long-term policy requirements as viewed by the World Bank.

The structural adjustment loans were, in a sense, the World Bank's response to this conflict, and with this the World Bank, as Mosley and Weeks (1994: 319) described, 'broke new intellectual ground with its claim that developing countries could adjust to adverse macroeconomic conditions via measures to boost the supply side of the economy'. The 'gigantic experiment in development policy' signifies the World Bank's new lending and investment strategies, aims at correcting fundamental long-term weaknesses in borrowing countries, focuses on macro-economy and includes non-sector specific policy reforms, and does not intend to address sectoral concerns, which are addressed by sectoral adjustment loans. The conditions that are attached to structural adjustment loans are macroeconomic and some are common to the stabilisation policies, such as reduction of fiscal imbalances and deficits, macroeconomic efficiency, containment of wage bill, employment freeze, besides trade liberalisation, involving abolition or liberalisation of foreign exchange and import controls and hospitality to foreign investment, etc. These loans, however, aim at providing finances much more quickly than conventional loans to assist the economy on a long-term basis. They provide, at the same time, scope for even more intervention by the World Bank in the domestic economy in that they address the need perceived by the World Bank for comprehensive economic reforms across the board.

Thus, in contrast to the short-term stabilisation policies of the IMF, the structural adjustment policies aim at long-term structural reform, including improvement in productivity of resources, improvement in allocation of resources, increase in economic efficiency and flexibility of the economy, increase in competition, and thereby an expansion of the economy (see Michalopoulos 1987; World Bank 1988; Tanzi 1989; Thomas and Chhibber 1989). More importantly, they also imply a reduced role of the State and increased role of the market mechanism or privatisation, and the dismantling of State apparatus in the name of debureaucratisation. It is generally argued that but for the adjustment policies, distortions in allocations would take place and inefficiency at the macro level might increase.

In principle as well as in practice, both stabilisation and structural adjustment policies are related:

> If you do not solve the problems of stabilisation, then you cannot, by definition, start the process of restructuring your economies. If there is widespread excess demand in the system, if inflation is not brought under control, if government deficits keep on growing year after year fanning inflational expectations, in that sort of environment, it is very difficult to assume that you adopt structural policies ... (Singh 1992: 108; see also World Bank 1990a, 1990b).

Both are viewed as a single indivisible package of reforms and they are also related in practice, in that the adjustment loans are required to be preceded by stabilisation policies, though both are found to be going on simultaneously in many cases, achieving neither macroeconomic stability nor restoration of sustainable growth (Bajpai 1995: 113; see also Bajpai 1993).

The objectives of the overall adjustment policies have been, thus, to (a) stabilise the economy, (b) improve allocation of resources and thereby raise the level of output and income and (c) achieve higher levels of savings and a more efficient use of investment resources in order to raise the rate of economic growth. These goals are to be achieved through (a) privatisation and (b) globalisation. Privatisation implies a reduced role of the State and placing the market at the centre of the society. Thus, the policy is, as Emmerij (1987: 3–4) rightly noted, 'noninterventionist [by the government] in spirit' and 'concentrates on increasing the efficiency of market signals as a guide to an improved allocation of resources'. Thus, privatisation is a powerful phenomenon that puts markets and market concerns ahead of the State and its policies and concerns.[1] Globalisation is found to be a very powerful force, which places the world economy ahead of the national economy, and accordingly, domestic policies have to be subdued to international policies and national economies are to be thrown into an international blender. Thus, the role of the State is reduced particularly in the domestic economy and is found important only in promoting the private sector and globalisation.

The World Bank started disbursement of such adjustment loans in 1980, and it is reported that more than 80 developing countries have taken these loans so far and have undergone or have been undergoing the process of structural adjustment. The World Bank and governments of various countries are now designing second-generation structural adjustment loans. Thus, there are very few developing countries that have not experienced, in varying degrees, adjustment policies. In this sense, the whole developing world is in the process of adjustment and one can simply refer to this as a 'global adjustment' period. The 1980s and 1990s were, in short, a period of economic crisis and adjustment all over the globe and the trends continue in the early years of first decade of the twenty-first century.

The adjustment programmes have been found to have mixed effects on national economies—both on the social and economic sectors—and have given rise to a few winners and many losers. The World Bank's own evaluations were not very favourable to adjustment programmes (see Leftwich 1994). With respect to economic growth, only a few countries have been found to have 'done well whilst most have not only not done well but their performance has actually deteriorated, in some cases, quite severely, compared to the pre-reform period' (Sobhan 1992: 72). As per the Latin American experience, structural adjustment reform has produced 'at best very limited positive results ... despite a number of potential sources of bias in its favour; and such benefits as they are, are overshadowed by the very strong negative effects' on investments and economic growth (Woodward 1992). The effects are not confined to investments and economic growth. As Streeten (1998: 63) summarised, these economic policies 'contributed to increased impoverishment, inequalities, work insecurity, weakening of institutions and support systems, and erosion of established identities and values'. All these consequences have led many to question whether these reform policies are 'for growth or for decay' (Colclough and Green 1988).

Kakwani (1995) found that countries that have adopted structural adjustment programmes have not performed better than the non-adjusting countries with respect to levels of living of the population. In fact, in a large number of cases, they found themselves in a worse situation than the non-adjusting countries (see also Lindenberg 1993). Actually, the poor are worse affected, as the structural adjustment reform programme 'has organised a drastic shift in class power to the benefit of wealthy and privileged' (Vieux and Petras 1996: PE28). These economic reform policies inherently justify social hierarchy and inequality, and indeed aim at reversing State efforts towards social equality (Laxer 1993: 13). Structural adjustment programmes and anti-poverty programmes are not consistent with each other, often harming the poor groups (Killick 1995). Internal contradictions, conflicts and pressures generated by structural adjustment programmes, along with increasing debt burden, necessitating authoritarian responses from the governments, abdication of basic welfare responsibilities by the State, etc., result in the destabilisation of political systems and several democratic and ethnic tensions, as in the case of Africa (Cornia, Hoeven and Mkandawire 1992; Walton and Seddon 1994; Adekanye 1995).

Thus, the problems associated with adjustment policies seem to be varied, serious and complex, particularly in large countries. Perhaps structural adjustment reforms 'hold good only under very restricted assumptions, perhaps only for small economies and not for large ones' (Bajpai 1995: 113).

To conclude, in general, structural adjustment policies have been found favourable, at best, to export-oriented growth and the external account; their effect on aggregate investment is almost everywhere negative; their influence on national income and on financial flows from overseas is, on balance, neutral; their effects on distribution are also, at best, neutral; and their effects on living standards of the poor are adverse (Mosley, Harringan and Toye 1991: 301–02).

Indian Economy under Adjustment

In the context of analysing the impact of the World Bank or IMF adjustment policies on the levels of living, Kakwani, Makonnen and van der Gaag (1990) classified 86 developing countries of the world—from Africa, Asia, Europe, the Middle East and Latin America—into five categories based on their adoption of adjustment policies. These are (a) 'intensely adjusting' countries that have relatively long periods of experience with the adjustment policies and processes, having taken three or more structural adjustment loans by 1989, and having started in or before 1985 (25 countries), (b) 'pre-1986 adjusting countries' that have received less than three structural adjustment loans, but were included in the programme before 1985 (11 countries), (c) 'post-1985 adjusting countries' that received adjustment loans between 1986–88 (19 countries), (d) 'non-adjusting' countries (of Type I), that *did not need* the type of adjustment measures of the IMF and/or World Bank, and which had an increase in average annual growth in GDP per capita during 1980–87 (17 countries) and (e) 'non-adjusting countries' (of Type II) that were 'potential candidates' for World Bank adjustment loans with a decline in the average annual growth in per capita GDP during 1980–87 (14 countries).[2]

India was classified in category (d). That is, as late as in 1990, India was recognised as a country that did not need adjustment measures of the kind suggested by the World Bank and the IMF;[3] it was also not regarded as a 'potential candidate' for such loans. Within a year, the situation had changed completely. India had suddenly become an adjusting country with the introduction of a package of sweeping policy reforms in July 1991, and it is feared that it might become 'an intensely adjusting' country soon.

While on the one hand, optimists hoped that structural adjustment policies would transform India into a rapidly industrialising economy like the East Asian tigers, on the other, the adverse effects of these policies are being widely noted on various productive sectors. After the reform policies were introduced, that is, during the 1990s, agricultural production was found to have declined (Rao 1994); industrial production grew at a meagre rate of growth of 1.6 per cent (Sinha 1994); imports continued to increase faster than exports; the country was found becoming a 'severely indebted country' (Datt 1996) and entering into a debt trap; India had to borrow even to pay interest on the earlier loans, the interest payments accounting for 94 per cent of the new borrowings (Dandekar 1994); and so on.

During the period of adjustment, an increasing rate of unemployment is forecasted (Mundle 1992; Singh 1993; Toye 1995). The annual rate of growth in employment in the organised public sector comes down from 2.17 per cent during 1981–90 to 0.34 per cent during 1991–98.[4] In general, unemployment of the educated seems to increase, with increasing number of job-seekers registering in the employment exchanges (Table 6.1). The rates of growth of graduate and postgraduate unemployment continue to be high. Particularly, the number of unemployed engineers seems to be increasing rapidly in most of the states, as shown in Table 6.2.

TABLE 6.1: Number of Applicants on Live Registers of Employment Exchanges by Education Levels (Lakhs)

Year	*Matriculates*	*Undergraduates*	*Graduates*	*Postgraduates*	*Total*
1971	12.9	6.1	3.5	0.39	22.9
1976	28.3	12.6	9.3	0.95	51.0
1981	58.8	23.3	15.4	1.42	98.9
1986	86.8	38.1	23.1	2.93	150.9
1991	131.1	55.2	33.9	4.20	224.3
1992	135.3	55.7	34.5	4.55	230.1
1993	140.4	56.2	34.8	4.79	236.2
1994	139.7	57.9	37.0	5.12	239.8
Rate of growth (%)					
1986–91	10.20	8.99	9.37	8.64	9.74
1991–94	2.18	1.67	3.10	7.35	2.29

Source: *Manpower Profile: India Yearbook*, IAMR (various years).

During the last few years, revenue expenditure increased faster than capital expenditure and non-plan expenditure increased faster than plan expenditure. In fact, developmental expenditure seems to have been cut and these cuts have been very serious, causing damage to development projects (Bhagwati and Srinivasan 1993; Sengupta 1995).[5] For example, as shown in Table 6.3, the shares of plan expenditure, development expenditure, capital expenditure in total expenditure of the Central Government have been much less in the period after the reforms were introduced than in the preceding (pre-reform) period. The states seem to be suffering more, as the transfer from the Central Government to the states declined. As indicated in the 1995–96 Union budget, central transfers seem to have further declined in the subsequent years and might further decline in the future, and as a result, the states have been under increasingly severe pressure. The overall financial situation in the states deteriorated. These trends are very clear. The revenue expenditure of the states as a percentage of the GDP fell from 15.7 per cent in 1991–92 to 13.1 per cent in 1996–97. The share of development expenditure in the total revenue expenditures of the states fell from 67.1 per cent in 1990–91 to an estimated level of 62.8 per cent in 1996–97 (Sipahimalani 2000).

TABLE 6.2: Unemployed Engineers (Degree Level Only) in Selected States

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Andhra Pradesh	1,894	2,143	2,120	3,184	5,473	2,770	2,743	3,271	4,472
Assam	135	138	148	154	372	373	386	394	443
Bihar	914	984	1,049	1,045	898	894	915	1,051	—
Chandigarh	102	89	84	82	85	116	115	91	222
Delhi	225	249	257	258	252	250	259	311	—
Gujarat	385	399	398	455	441	1,620	1,599	1,509	2,522
Haryana	129	97	86	87	113	98	91	297	—
Jammu and Kashmir	—	—	—	109	—	138	173	234	339
Karnataka	3,241	2,574	2,399	3,184	5,473	2,897	3,427	5,942	7,813
Kerala	760	2,143	2,120	1,974	3,060	1,357	1,061	1,153	1,069
Madhya Pradesh	1,011	1,115	1,136	954	1,187	1,043	1,094	1,397	—
Maharashtra	541	912	927	1,351	1,952	1,757	2,120	2,536	8,018
Orissa	159	139	142	149	174	386	372	371	—
Punjab	155	153	161	161	126	96	97	158	495
Rajasthan	231	231	236	227	532	502	507	562	—
Tamil Nadu	2,621	3,537	4,393	4,117	2,112	2,235	2,294	2,891	3,635
Uttar Pradesh	947	884	971	867	942	873	904	1,037	—
West Bengal	561	562	556	550	463	275	273	258	839

(contd)

Table 6.2 (contd)

Annual rates of growth (%)									
	1990–89	*1991–90*	*1992–91*	*1993–92*	*1994–93*	*1995–94*	*1996–95*	*1997–96*	*1997–89**
Andhra Pradesh	13.1	–1.1	50.2	71.9	–49.4	–1.0	19.2	36.7	8.8
Assam	2.2	7.2	4.1	141.6	0.3	3.5	2.1	12.4	19.5
Bihar	7.7	6.6	–0.4	–14.1	–0.4	2.3	14.9	—	–0.02
Chandigarh	–12.7	–5.6	–2.4	3.7	36.5	–0.9	–20.9	144.0	7.2
Delhi	10.7	3.2	0.4	–2.3	–0.8	3.6	20.1	—	2.8
Gujarat	3.6	–0.3	14.3	–3.1	267.3	–1.3	–5.6	67.1	29.6
Haryana	–24.8	–11.3	1.2	29.9	–13.3	–7.1	226.4	—	7.6
Jammu and Kashmir	—	—	—	—	—	25.4	35.3	44.9	—
Karnataka	–20.6	–6.8	32.7	71.9	–47.1	18.3	73.4	31.5	11.7
Kerala	182.0	–1.1	–6.9	55.0	–55.7	–21.8	8.7	–7.3	–3.1
Madhya Pradesh	10.3	1.9	–16.0	24.4	–12.1	4.9	27.7	—	2.6
Maharashtra	68.6	1.6	45.7	44.5	–10.0	20.7	19.6	216.2	30.1
Orissa	–12.6	2.2	4.9	16.8	121.8	–3.6	–0.3	—	18.1
Punjab	–1.3	5.2	0.0	–21.7	–23.8	1.0	62.9	213.3	5.5
Rajasthan	0.0	2.2	–3.8	134.4	–5.6	1.0	10.8	—	17.1
Tamil Nadu	34.9	24.2	–6.3	–48.7	5.8	2.6	26.0	25.7	–2.0
Uttar Pradesh	–6.7	9.8	–10.7	8.7	–7.3	3.6	14.7	—	0.6
West Bengal	0.2	–1.1	–1.1	–15.8	–40.6	–0.7	–5.5	225.2	–4.6

Notes: * Based on semi-log regression equation.

— Not available.

Source: *Manpower Profile: India Yearbook*, IAMR (various years).

Table 6.3: Expenditures of the Union Government

	Percentage of total expenditure		*Percentage of GDP*	
	1985–90	*1991–97*	*1985–90*	*1991–97*
Plan expenditure	33.5	28.3	6.8	4.8
Development expenditure	56.4	49.0	11.5	8.5
Capital expenditure	30.1	22.7	6.1	4.0

Source: Narasimhulu (1998: 95).

Among the several development projects, the social sectors suffered more. The combined outlays of the centre and states on rural development and social services as a proportion of GDP in 1994–95 were significantly lower than in the pre-reforms years (Guhan 1995). Development expenditure on social services declined from 5.3 per cent of the GDP in 1989–90 to 4.9 per cent in 1994–95 (budget estimates; World Bank 1995b: 42). Further, as Gupta (1999) and Sundaram and Tendulkar (2000) have shown, the incidence of poverty increased (see also Sen 2000).[6] The rate of growth of state income in most states has been less in the post-reforms period compared to the pre-reforms period. The unemployment levels have increased between 1993–94 and 1999–2000.[7] The effects on healthcare, food intake and nutrition are also found to be significantly high and are particularly severe in the case of women and the poor (White 1995). Thus, much of the research on India on adjustment and their impact has been confined to international trade, economic growth, physical capital sectors and, in a limited way, to poverty, health and related problems, but it has rarely been extended to education.

Effects of Adjustment on Education

What are the effects of these policies on education? A few major surveys that reviewed the effects of adjustment policies on education in developing countries are available.[8]

Educational development and adjustment seem to be antithetical. The adjustment policies stress that 'society can no longer afford social democracy, so expensive social and education programs must be curtailed' (Laxer 1993: 13). As macroeconomic adjustment and education are closely related through the budgetary mechanism, this becomes easy. Budget restructuring as a strategy of economic adjustment leads to reduction in public spending on education; and declining budgets for education may affect the quantity and quality of the graduates of the education system, which will have a negative impact on macroeconomic growth and adjustment. Not only the macroeconomic choices, but the meso- and micro-choices too are significantly influenced by adjustment policies, and the influence has been, on the whole, negative (see Cornia and Stewart 1990).

Noss (1991: 4) described the process of adjustment measures influencing education as follows:

> Adjustment measures (undertaken with or without World Bank assistance) affect education through changes at the macro and micro levels of the economy. Adjustment at the macro level often implies a combination of budget containment measures for the public education system, limited access to post-primary public education, and higher user fees for education services at the secondary and tertiary levels. At the micro level, changes in household incomes and prices (user fees, reduced student subsidies) directly influence the demand for education by altering the opportunity cost of attending school ... Household incomes also affect health and nutrition status, and thus indirectly influence attendance and learning ability. Finally, adjustment affects education through changes in markets and infrastructure (resulting from currency devaluation, fiscal and monetary restraint, and price liberalisation) that affect supply of education services and the opportunity cost of attending school ...

Why and how do education budgets suffer under the 'adjusting' processes? Public investments in education decline significantly, in absolute and/or relative terms, in the adjusting countries because the debt burden in these countries increases dramatically and correspondingly the debt service payments, and the governments have to necessarily reduce public spending. It is easier to reduce the expenditure on education than that on other sectors. Hence, the axe falls more severely on education, but it may fall on most other sectors as well, though the World Bank (1990b) feels that the cuts need not necessarily be inflicted on all sectors. Balancing the balance of payments to reach equilibrium becomes an important goal of national economies, and currency devaluation an important instrument to achieve this under adjustment programmes. As Noss (1991: 23) noted, currency devaluation may induce shifts in the allocation of public budgets towards sectors that are more import- or foreign-exchange-intensive, and as education does not belong to either category, it suffers in the form of reallocation of public resources away from it.

Lastly, incomes and prices are affected by adjustment policies, and the demand for and supply of education are influenced by incomes and prices. As incomes and living conditions get seriously affected during the process of adjustment, demand for education falls. This would be truer in case of the weaker sections of society. Demand for education may further fall due to changes in the labour market—increased levels of unemployment, reduced levels of wage earnings, increased earnings differentials, and a corresponding increase in the need for participation in the labour market and increased costs of education.

These effects may only be for the short term. In the long term, as some hope, adjustment policies may help all sectors,[9] including education, leading to an improvement of efficiency in education. But education is a long-term activity and perhaps cannot be brought back on the rails in a short time period when funds are available once it has been off of the tracks due to the paucity of funds. Further, the world experience is so short that the long-term results of adjustment policies are yet to be observed. Some of the adverse consequences may be due to the fact that policy changes under adjustment are guided by political rather than efficiency considerations (Noss 1991: 3). However, in all, short-run expediency dominates public policymaking during the adjustment process, while the long-term socio-economic benefits of public investment do not seem to carry any weight. In this sense, the policies suffer from a lack of a broader long-term vision and development strategy (see also EPWRF 1994).

How Does Higher Education in India Respond to Adjustment Measures?

First, it must be noted that the very success of economic reform programmes critically depends upon higher education, as with globalisation and international competition, the need for a more educated labour force is strongly felt. With an illiterate or ill-educated work force, the reforms programmes cannot take off properly. In this sense, higher education becomes '*even more important in the new context of a global economy*' (Stewart 1995; emphasis in the original). But the policies of adjustment seem to go against the growth of higher education.

While the Indian experience with the adjustment policies has been relatively short so far, some effects are already being clearly felt, and with respect to some other effects, the signals are becoming clear. The recent budget cuts for higher education in the Union Government's annual budgets, and also in the budgets of the state governments; the Supreme Court's *de facto* reversal of its own judgement against capitation fee colleges in India (see Tilak 1992c, 1994);[10] the objectives of the government in constituting committees with a request to recommend methods of mobilising private funds for higher education (for example, UGC 1993; AICTE 1994); and the efforts to introduce bills in Parliament in favour of opening private universities—can all be viewed as short-term and even myopic responses to the structural adjustment policies, with serious long-term implications. The consequent trends in (a) budget cuts, (b) shifts in policies and (c) other trends that highlight the increasing neglect of higher education are discussed in the following sections.

Decline in Budget Allocations

What are the recent trends in government expenditure on education that are believed to be associated with the adjustment policies? It may be noted at the outset that since adjustment reforms have been introduced in India only in 1991, the experience is very short and the data are available only for the three or four years of the adjustment period;[11] the limited data are also subject to revisions, as some of the data are 'revised' or 'budget' estimates, and not actual expenditures. Hence, conclusions made here should be treated as tentative. It may also be noted that even though adjustment policies *per se* were actually introduced since July 1991, the adjustment process has indeed started earlier, with the introduction of corresponding budgetary reforms in anticipation of the adoption of the adjustment policies. Therefore, comparisons are made here of budgetary allocations between 1989–90 and the later years. Further, as all required data are not available in detail, some phenomena are explained with the help of specific data on higher education, and some with the data on the whole education sector. It can, however, be expected that trends observed in case of the total education sector hold good in case of higher education as well.

Total public expenditure on education in current, and more specifically real, prices are found to have declined in many countries during adjustment. This decline is more pronounced in terms of per student expenditures. The relative priority given to education in the development framework—expenditure on education as a percentage of GNP and as a percentage of total government expenditure—has also been found to have declined in a large number of countries.

India is not an exception. The share of public expenditure on education in GNP is one of the most standard indicators of the priority a nation accords to education. Ever since the acceptance of the recommendation of the Kothari Commission, the Government of India has been repeatedly promising to allocate 6 per cent of the national income for education in India. From a level of 1.2 per cent in 1950–51, it could barely reach 4.5 per cent by 1989–90. According to the estimates available for 1996–97, it was 3.6 per cent, as given in Table 6.4. Given these long-term and current trends, one would be sceptical about the government's promise to allocate 6 per cent of the national income during the Ninth Five Year Plan (1997–2002), unless questionable strategies of interpretation (for example, Kolhatkar 1989) are adopted (see Tilak 1990b, 1999a). During the same period, the share of higher education in GNP also declined sharply from 0.6 per cent in 1989–90 to 0.35 per cent in 1996–97. Along with these, the relative emphasis given to research and development (R&D) also declined from 0.9 per cent of GNP to a little less than 0.7 per cent.

TABLE 6.4: Expenditure on Education and R&D as a Percentage of GNP

Year	*Education*	*Higher education*	*R&D*
1989–90	4.45	0.55	0.93
1990–91	4.36	0.49	0.85
1991–92	4.16	0.45	0.84
1992–93	4.04	0.44	0.83
1993–94	3.68	0.40	0.79
1994–95	3.62	0.39	0.73
1995–96	3.62	0.37	0.71
1996–97	3.59	0.35	0.68
1997–98 (RE)	3.81	0.37	—
1998–99 (BE)	3.83	0.42	—

Notes: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
— Not available.

Source: MHRD (e) and DST (1998).

Government expenditure on education as a proportion of the total government expenditure might be a better gauge of governmental efforts and intentions. The share of education in the total budgets of the centre and state governments also declined in the recent past. The share of education in the Central Government budget has been small, and it declined further from 3.5 per cent in 1989–90 to 3.1 per cent of the revenue budget in 1994–95. In the following years, there has been a steady increase—to 4 per cent in 1996–97 and it might increase further to 5 per cent in 1998–99 (budget estimates). This increase may be due to increased levels of external aid for education, flowing through Central Government. In fact, the growth in the Central Government's allocation to education is described as 'externally aided growth' (Tilak 1999a). But quite sharply, the relative share of education in the state governments' revenue budget also declined from 25.4 per cent in 1989–90 to 22 per cent in 1996–97, and it is likely to decline further to 21.7 per cent in 1998–99, as shown in Table 6.5. Thus, the overall share of education in government expenditure declined from 14.2 per cent to 13.3 per cent in a short span of seven years. These trends are consistent with the experience of other adjusting countries.[12]

TABLE 6.5: Government Expenditure on Education as a Percentage of Total Government Expenditure (Revenue Account)

Year	*Centre*	*State*	*Total*
1989–90	3.5	25.4	14.2
1990–91	3.3	24.7	14.0
1991–92	3.0	22.6	13.1
1992–93	3.1	22.7	13.2
1993–94	3.3	22.4	12.9
1994–95	3.1	22.2	13.0
1995–96	4.0	22.3	13.3
1996–97	4.0	22.0	13.3
1997–98 (RE)	4.3	22.2	13.6
1998–99 (BE)	5.0	21.7	13.8

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
Source: MHRD (a).

During the 1990s, the total government expenditure on education in India declined, very often in real prices, and/or a significant decline could be noted in the rate of growth of the expenditure, as shown in Table 6.6.[13] The annual rate of growth in the total (central and state governments) expenditure on education during the 1990s was 4.1 per cent compared to 8.6 per cent in the 1980s and 5.6 per cent during the four decades from 1950–51 to 1989–90 (Tilak 1995b: 23). Such trends in the expenditure levels can be noted both in case of Central Government expenditure and also the expenditures of the state governments. If these trends are related to an increase in student numbers in the corresponding period, it would be obvious that per student expenditures have declined more steeply during this period. The decline in the rate of growth in per student expenditures can be observed at all levels of education—elementary, secondary and higher. As Panchamukhi (2000: 839) observed, 'a very large decease in the rate of growth of per pupil expenditures on elementary education and a decline in the rate of growth in the case of university education, are indeed very disturbing trends, which deserve specific attention of the policy makers'.

TABLE 6.6: Budget Expenditure on Education (Rs Crores)

Year	*In current prices*			*In constant (1980–81) prices*		
	Centre	*State*	*Total*	*Centre*	*State*	*Total*
Plan expenditure						
1989–90	1,340.2	2,332.1	3,672.3	658.8	1,146.5	1,805.3
1990–91	1,333.0	1,914.9	3,247.9	590.9	848.9	1,439.9
1991–92	1,392.9	2,354.0	3,746.9	538.0	909.3	1,447.3
1992–93	1,691.0	2,318.0	4,009.0	602.3	825.6	1,427.9
1993–94	2,239.5	2,941.6	5,181.1	727.6	955.7	1,683.2
1994–95	2,490.0	4,048.6	6,538.7	734.9	1,194.9	1,929.7
1995–96	3,771.4	4,611.7	8,383.1	1,029.4	1,258.8	2,288.2
1996–97	4,579.2	5,726.2	10,305.4	1,177.2	1,472.1	2,649.3
1997–98 (RE)	5,418.4	6,402.6	11,821.0	1,205.4	1,424.4	2,629.8
1998–99 (BE)	6,866.3	7,022.3	13,888.5	1,400.4	1,432.2	2,832.6
Non-plan expenditure						
1989–90	925.9	13,352.0	14,277.9	455.2	6,563.9	7,019.1
1990–91	1,086.4	16,156.9	17,243.3	481.6	7,162.7	7,644.3
1991–92	1,088.7	17,758.2	18,846.9	420.5	6,859.3	7,279.8
1992–93	1,163.1	19,858.2	21,021.3	414.3	7,073.0	7,487.3
1993–94	1,371.4	21,727.2	23,098.6	445.5	7,058.7	7,504.3

(contd)

Table 6.6 (contd)

Year	*In current prices*			*In constant (1980–81) prices*		
	Centre	*State*	*Total*	*Centre*	*State*	*Total*
1994–95	1,336.7	24,730.8	26,067.6	394.5	7,298.8	7,693.3
1995–96	1,779.2	28,015.9	29,795.0	485.6	7,646.9	8,132.5
1996–97	1,735.1	31,856.0	33,591.1	446.1	8,189.6	8,635.7
1997–98 (RE)	2,441.0	37,668.6	40,109.6	543.0	8,380.1	8,923.1
1998–99 (BE)	3,637.2	43,330.8	46,968.0	741.8	8,837.5	9,579.4
Total expenditure						
1989–90	2,266.1	15,684.1	17,950.2	1,114.0	7,710.3	8,824.4
1990–91	2,419.4	18,071.8	20,491.2	1,072.6	8,011.6	9,084.2
1991–92	2,481.6	20,112.2	22,593.8	958.5	7,768.6	8,727.1
1992–93	2,854.1	22,176.2	25,030.3	1,016.6	7,898.6	8,915.2
1993–94	3,610.9	24,668.8	28,279.7	1,173.1	8,014.4	9,187.5
1994–95	3,826.8	28,779.5	32,606.2	1,129.4	8,493.6	9,623.0
1995–96	5,550.5	32,627.6	38,178.1	1,515.0	8,905.7	10,420.7
1996–97	6,314.3	37,582.2	43,896.5	1,623.3	9,661.7	11,285.0
1997–98 (RE)	7,859.4	44,071.2	51,930.6	1,748.5	9,804.5	11,553.0
1998–99 (BE)	10,503.4	50,353.1	60,856.5	2,142.2	10,269.8	12,412.0

(contd)

Table 6.6 (contd)

Year	In current prices			In constant (1980–81) prices		
	Centre	State	Total	Centre	State	Total
Annual rate of growth (%)						
Plan expenditure						
1990–91 / 1989–90	–0.5	–17.9	–11.6	–10.3	–26.0	–20.2
1991–92 / 1990–91	4.5	22.9	15.4	–9.0	7.1	0.5
1992–93 / 1991–92	21.4	–1.5	7.0	11.9	–9.2	–1.3
1993–94 / 1992–93	32.4	26.9	605.4	20.8	15.8	17.9
1994–95 / 1993–94	11.2	37.6	15.3	1.0	25.0	14.6
1995–96 / 1994–95	51.5	13.9	17.1	40.1	5.3	18.6
1996–97 / 1995–96	21.4	24.2	15.0	14.4	16.9	15.8
1997–98 / 1996–97	18.3	11.8	18.3	2.4	–3.2	–0.7
1998–99 / 1997–98	26.7	9.7	17.2	16.2	0.6	7.7
1998–99 / 1989–90*	22.1	16.5	18.9	11.1	5.9	8.6
Non-plan expenditure						
1990–91 / 1989–90	17.3	21.0	20.8	5.8	9.1	8.9
1991–92 / 1990–91	0.2	9.9	9.3	–12.7	–4.2	–4.8
1992–93 / 1991–92	6.8	11.8	11.5	–1.5	3.1	2.8
1993–94 / 1992–93	17.9	9.4	9.9	7.5	–0.2	0.2
1994–95 / 1993–94	–2.5	13.8	12.9	–11.5	3.4	2.5

(contd)

Table 6.6 (contd)

Year	*In current prices*			*In constant (1980–81) prices*		
	Centre	*State*	*Total*	*Centre*	*State*	*Total*
1995–96 / 1994–95	33.1	13.3	14.3	23.1	4.8	5.7
1996–97 / 1995–96	–2.5	13.7	12.7	–8.1	7.1	6.2
1997–98 / 1996–97	40.7	18.2	19.4	21.7	2.3	3.3
1998–99 / 1997–98	49.0	15.0	17.1	36.6	5.5	7.4
1998–99 / 1989–90*	14.9	13.1	13.3	4.7	3.1	3.2
Total expenditure						
1990–91 / 1989–90	6.8	15.2	14.2	–3.7	3.9	2.9
1991–92 / 1990–91	2.6	11.3	10.3	–10.6	–3.0	–3.9
1992–93 / 1991–92	15.0	10.3	10.8	6.1	1.7	2.2
1993–94 / 1992–93	26.5	11.2	13.0	15.4	1.5	3.1
1994–95 / 1993–94	6.0	16.7	15.3	–3.7	6.0	4.7
1995–96 / 1994–95	45.0	13.4	17.1	34.1	4.9	8.3
1996–97 / 1995–96	13.8	15.2	15.0	7.1	8.5	8.3
1997–98 / 1996–97	24.5	17.3	18.3	7.7	1.5	2.4
1998–99 / 1997–98	33.6	14.3	17.2	22.5	4.7	7.4
1998–99 / 1989–90*	19.1	13.7	14.4	8.3	3.4	4.1

* Based on semi-log regression equation.

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.

Source: Based on MHRD (a).

The Union Government budget for education seems to have been very seriously affected (see Tilak 1999a). The budget allocations since 1989–90 have been either declining or stagnant in real prices. The budget allocation in 1997–98 (revised estimate) was less than the expenditure incurred in 1989–90. The budget expenditures of the states also have declined or remained stagnant during the early 1990s, that is, until 1995–96.

During the process of adjustment, when the government expenditure has to be reduced, it seems to be relatively easier to cut plan (development) expenditure than non-plan (maintenance) expenditure. Non-plan expenditure cannot be reduced significantly, since it mostly consists of salary expenditure of the existing staff. One can note the plan programmes in education getting sacrificed in the recent past. As Bhagwati and Srinivasan (1993: 20) noted in case of other economic sectors in general, the reduction in developmental expenditure appears to be taking the brunt of the successful effort to cut the budget deficit, and this could create difficulties down the road, affecting major development projects. This is clearer in the case of higher education in particular. The share of higher education in the total education outlay in the Eighth Five Year Plan was estimated to be a meagre 7 per cent, the lowest proportion in the last 40 years, compared to 14 per cent (actual expenditure) in the Seventh Plan (Table 6.7). Similarly, the allocation for science and technology in the Eighth Plan was 2.1 per cent, compared to 2.3 per cent in the Seventh Plan. It should be noted that plan expenditure sets directions for future development and links directly to the long-term health of

TABLE 6.7: Higher Education in Five Year Plans

	In current prices (Rs crores)	*In constant (1980–81) prices (Rs crores)*	*Percentage of total education expenditure*
Sixth Plan (1980–85)	530	449.5	18
Seventh Plan (1985–90)	1201	501.4	14
Annual Plan (1990–92)	595	239.7	11
Eighth Plan (1992–97)	1516	593.1	7

Source: Five Year Plans (Planning Commission, New Delhi).

the system, and hence, cuts in plan expenditure would be costly in the long run.

Further, the capital budgets tend to get sacrificed in favour of recurrent budgets. Investment in buildings, physical furniture, equipment, etc., might be traded off in favour of investment in additional teachers. Within the recurrent budgets, the real expenditures on education decline steeply, as education is a labour-intensive sector, with a very high proportion of the education budgets being allocated for the salaries of the teachers. But due to pressure from the teachers' unions, etc., the teachers' wage bills tend to be less affected. Even when fiscal retrenchment is effected, salaries of the teachers and other staff cannot be cut due to various reasons; in fact, they may still increase. The wages of the teachers may increase in nominal terms because of the inflationary tendencies of adjustment programmes, in current market prices at a rate much less than that of inflation. More and more colleges and universities may continue to be opened, as the figures in Table 6.8 indicate, but without even the necessary infrastructure such as buildings, equipment and teachers.

Further, the plan expenditure on higher education has declined in current prices from Rs 291 crore in 1989–90 to Rs 267 crore in 1992–93. In real prices, both plan and non-plan expenditure declined sharply until the mid-1990s and after a small increase in 1994–95, either declined again or, at best, remained stagnant at the same level, as shown in Table 6.9. On the whole, the total expenditure on higher education in real prices in 1995–96 was less than that in 1989–90. The expenditure of the Central Government on higher education in 1997–98 (revised estimate) was much below the 1989–90 level in real prices. While in 1989–90, higher education received 7.9 per cent of the total plan expenditure on education, the corresponding share was just about 5 per cent in 1996–97. In case of non-plan expenditure, the share of higher education came down to 11.2 per cent in 1996–97 from 13.4 per cent in 1989–90. On the whole, the share of higher education in total expenditure on education declined from 12.3 per cent in 1989–90 to below 10 per cent in real prices. As a result, the real rate of growth of the Union Government's expenditure on higher education has been negative;

TABLE 6.8: Growth in Higher Education Institutions

	1988–89	*1989–90*	*1990–91*	*1991–92*	*1992–93*	*1993–94*	*1994–95*	*1995–96*	*1996–97*	*1997–98*	*1998–99*
Universities	144	146	146	153	153	164	172	176	178	179	187
Institutions deemed to be universities	27	28	28	28	30	33	36	39	39	39	39
Institutions of national importance	10	10	10	10	13	10	11	11	11	11	11
Research institutions	48	48	49	49	49	55	65	64	65	65	71
Colleges											
Arts and science	4,670	4,755	4,862	5,058	5,334	5,639	6,089	6,569	6,759	7,199	7,494
Engineering and technology	267	277	282	279	299	308	341	367	418	458	540
Medical	130	129	130	133	133	233	303	354	655	769	755
Teacher training	485	485	485	538	557	584	586	633	697	848	818

Source: MHRD (e).

TABLE 6.9: Budget Expenditure on Higher Education (Rs Crores)

	In current prices			*In constant (1980–81) prices*			*% of total expenditure on education*
	Centre	*State*	*Total*	*Centre*	*State*	*Total*	
Plan expenditure							
1989–90	150.1	141.0	291.1	73.8	69.3	143.1	7.9
1990–91	128.6	116.4	245.0	57.0	51.6	108.6	7.5
1991–92	160.7	103.7	264.5	62.1	40.1	102.2	7.1
1992–93	149.6	117.8	267.4	53.3	42.0	95.2	6.7
1993–94	157.2	155.7	312.9	51.1	50.6	101.7	6.0
1994–95	309.7	215.2	524.9	91.4	63.5	154.9	8.0
1995–96	246.3	266.3	512.7	67.2	72.7	139.9	6.1
1996–97	234.2	283.5	517.8	60.2	72.9	133.1	5.0
1997–98 (RE)	386.6	315.4	701.9	86.0	70.2	156.2	5.9
1998–99 (BE)	412.7	391.4	804.1	84.2	79.8	164.0	5.8
Non-plan expenditure							
1989–90	336.2	1,582.6	1,918.8	165.3	778.0	943.3	13.4
1990–91	346.9	1,720.0	2,066.9	153.8	762.5	916.3	12.0
1991–92	334.5	1,844.4	2,178.9	129.2	712.4	841.6	11.6
1992–93	355.3	2,077.3	2,432.6	126.5	739.9	866.4	11.6
1993–94	357.1	2,433.6	2,790.7	116.0	790.6	906.6	12.1
1994–95	374.5	2,625.9	3,000.4	110.5	775.0	885.5	11.5

(contd)

Table 6.9 (contd)

	In current prices			In constant (1980–81) prices			% of total expenditure on education
	Centre	State	Total	Centre	State	Total	
1995–96	466.9	2,891.8	3,358.7	127.4	789.3	916.8	11.3
1996–97	482.3	3,287.8	3,770.1	124.0	845.2	969.2	11.2
1997–98 (RE)	566.1	3,779.0	4,345.0	125.9	840.7	966.6	10.8
1998–99 (BE)	1,821.8	4,145.3	5,967.0	371.6	845.5	1,217.0	12.7
Total expenditure							
1989–90	486.3	1,723.6	2,209.9	239.1	847.3	1,086.4	12.3
1990–91	475.5	1,836.4	2,311.9	210.8	814.1	1,024.9	11.3
1991–92	495.2	1,948.1	2,443.4	191.3	752.5	943.8	10.8
1992–93	504.9	2,195.1	2,700.0	179.8	781.8	961.7	10.8
1993–94	514.3	2,589.3	3,103.6	167.1	841.2	1,008.3	11.0
1994–95	684.2	2,841.1	3,525.3	201.9	838.5	1,040.4	10.8
1995–96	713.2	3,158.1	3,871.3	194.7	862.0	1,056.7	10.1
1996–97	716.5	3,571.4	4,287.9	184.2	918.1	1,102.3	9.8
1997–98 (RE)	952.7	4,094.4	5,047.1	211.9	910.9	1,122.8	9.7
1998–99 (BE)	2,234.5	4,536.7	6,771.2	455.7	925.3	1,381.0	11.1

(contd)

Table 6.9 (contd)

	In current prices			*In constant (1980–81) prices*			*% of total expenditure on education*
	Centre	*State*	*Total*	*Centre*	*State*	*Total*	
Annual growth rate (%)							
Plan expenditure							
1990–91 / 1989–90	–14.3	–17.4	–15.8	–22.7	–25.6	–24.1	
1991–92 / 1990–91	25.0	–10.9	8.0	8.9	–22.4	–5.9	
1992–93 / 1991–92	–6.9	13.6	1.1	–14.2	4.7	–6.8	
1993–94 / 1992–93	5.1	32.2	17.0	–4.2	20.6	6.7	
1994–95 / 1993–94	97.0	38.2	67.8	79.0	25.6	52.4	
1995–96 / 1994–95	–20.5	23.7	–2.3	–26.4	14.4	–9.7	
1996–97 / 1995–96	–4.9	6.5	1.0	–10.4	0.3	–4.9	
1997–98 / 1996–97	65.1	11.3	35.6	42.8	–3.7	17.3	
1998–99 / 1997–98	6.8	24.1	14.6	–2.1	13.8	5.0	
1998–99 / 1989–90*	13.5	15.6	14.5	3.2	5.2	4.1	
Non-plan expenditure							
1990–91 / 1989–90	3.2	8.7	7.7	–7.0	–2.0	–2.9	
1991–92 / 1990–91	–3.6	7.2	5.4	–16.0	–6.6	–8.1	
1992–93 / 1991–92	6.2	12.6	11.6	–2.1	3.9	2.9	
1993–94 / 1992–93	0.5	17.2	14.7	–8.3	6.9	4.6	
1994–95 / 1993–94	4.9	7.9	7.5	–4.7	–2.0	–2.3	

(contd)

Table 6.9 (contd)

	In current prices			*In constant (1980–81) prices*			*% of total expenditure on education*
	Centre	*State*	*Total*	*Centre*	*State*	*Total*	
1995–96 / 1994–95	24.7	10.1	11.9	15.3	1.9	3.5	
1996–97 / 1995–96	3.3	13.7	12.2	–2.7	7.1	5.7	
1997–98 / 1996–97	17.4	14.9	15.2	1.6	–0.5	–0.3	
1998–99 / 1997–98	221.8	9.7	37.3	195.0	0.6	25.9	
1998–99 / 1989–90	13.8	11.6	12.3	3.5	1.5	2.2	
Total expenditure							
1990–91 / 1989–90	–2.2	6.5	4.6	–11.8	–3.9	–5.7	
1991–92 / 1990–91	4.1	6.1	5.7	–9.3	–7.6	–7.9	
1992–93 / 1991–92	2.0	12.7	10.5	–6.0	3.9	1.9	
1993–94 / 1992–93	1.9	18.0	14.9	–7.1	7.6	4.8	
1994–95 / 1993–94	33.0	9.7	13.6	20.9	–0.3	3.2	
1995–96 / 1994–95	4.2	11.2	9.8	–3.6	2.8	1.6	
1996–97 / 1995–96	0.5	13.1	10.8	–5.4	6.5	4.3	
1997–98 / 1996–97	33.0	14.6	17.7	15.1	–0.8	1.9	
1998–99 / 1997–98	134.5	10.8	34.2	115.0	1.6	23.0	
1998–99 / 1989–90*	14.4	11.9	12.6	3.8	1.8	2.4	

* Based on semi-log regression equation.

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.

Source: Based on MHRD (a).

during the pre-reforms period (1985–90), the rate of growth was not high, but it was, nevertheless, positive (see Panchamukhi 2000: 840). These reductions in real expenditures, viewed along with increase in enrolments, as shown in Table 6.10, suggest that the decline was more severe in case of per student real expenditures on higher education. The per student expenditure on higher education declined in real terms from Rs 2,506 in 1990–91 to Rs 1,853 in 1996–97 (Table 6.11).

The relative priority given to higher education in the total expenditure on education suffered severely during the 1990s. In 1989–90, the Central Government spent on higher education a little above one-fifth of its total revenue expenditure on education, which came down to 11 per cent by 1996–97. Similarly, the share of higher education in the expenditure of the states on education also declined, though this decline is not as steep as the expenditure of the Union Government. It declined from 11 per cent to 9 per cent during the same period (Table 6.12). On the whole, the share of higher education in the total revenue expenditure of the centre and states on education declined from 12 per cent in 1989–90 to 9 per cent in 1996–97, and the share of higher education in GNP has declined from 0.55 per cent to 0.35 per cent, as already shown in Table 6.3.

One may note that two different proportions are relevant here: (a) share of education in total government expenditure and (b) share of higher education in total expenditure on education. A significant increase in (a) is important so that all sectors of education might be better-off with increased levels of budgetary allocations. Given an increase in (a), even a decline in (b) may still mean much greater resources for higher education, though one may have concerns about the decline in the relative priority accorded to higher education in total education expenditures. But we have already noted in Table 6.4 that the share of education in the total government expenditure has declined, in addition to a decline in (b), as shown in Table 6.10.[14]

An important aspect that has to be noted is that during the 1990s, central transfers to states have been reduced severely, which resulted in budgetary cuts at the state level. In as many as 12 major states, the share of education in the revenue budget in 1996–97 was

TABLE 6.10: Growth in Enrolment in Higher Education Institutions

Enrolment (in thousands)	*1988–89*	*1989–90*	*1990–91*	*1991–92*	*1992–93*	*1993–94*	*1994–95*	*1995–96*	*1996–97*	*1997–98*	*1998–99*
Ph.D., etc.	31.4	27.8	32.5	31.2	30.7	30.7	36.6	41.3	40.5	40.0	45.8
M.A./M.Sc./ M.Com./ B.A./B.Sc./ B.Com.	3,429.1	—	3,640.0	3,893.7	3,944.7	4,115.1	4,274.1	4,983.3	5,352.3	5,612.9	6,484.3
B.E./ B.Arch./ B.Sc./ Engineering	205.3	—	241.4	230.5	263.1	270.0	290.9	317.1	328.4	343.1	312.7
MBBS	80.2	84.3	84.4	83.2	79.6	88.2	99.9	110.5	112.2	126.2	143.4
B.Ed./B.T.	91.0	92.7	92.2	97.3	100.0	101.9	108.5	122.1	116.0	113.3	114.2
Total	3,837.0	—	4,090.5	4,335.9	4,418.1	4,605.9	4,810.0	5,574.3	5,949.4	6,235.5	7,100.4

(contd)

Table 6.10 (contd)

Annual rate of growth (%)	1989–90/ 1988–89	1990–91/ 1989–90	1991–92/ 1990–91	1992–93/ 1991–92	1993–94/ 1992–93	1994–95/ 1993–94	1995–96/ 1994–95	1996–97/ 1995–96	1997–98/ 1996–97	1998–99/ 1997–98	1998–99/ 1988–89*
Ph.D., etc.	–11.46	16.91	–4.00	–1.60	0.00	19.22	12.84	–1.94	–1.23	14.50	4.4
M.A./M.Sc./ M.Com./ B.A./B.Sc./ B.Com.	—	—	6.97	1.31	4.32	3.86	16.59	7.40	4.87	15.52	7.3**
B.E./ B.Arch./ B.Sc./ Engineering	—	—	–4.52	14.14	2.62	7.74	9.01	3.56	4.48	–8.86	4.8**
MBBS	5.11	0.12	–1.42	–4.33	10.80	13.27	10.61	1.54	12.48	13.63	5.8
B.Ed./B.T.	1.87	–0.54	5.53	2.77	1.90	6.48	12.53	–5.00	–2.33	0.79	2.9
Total	—	—	6.00	1.90	4.25	4.43	15.89	6.73	4.81	13.87	7.0**

Notes: * Based on semi-log regression equation.

** Period from 1990–91 only.

Source: Based on MHRD (e).

TABLE 6.11: Expenditure Per Student in Higher Education in 1980–81 Prices

	Expenditure (Rs)	*Index*	*Annual rate of growth*
1990–91	2,505.56	100.0	—
1991–92	2,176.71	86.9	–13.1
1992–93	2,176.73	86.9	0.0
1993–94	2,189.15	87.4	0.6
1994–95	2,162.99	86.3	–1.2
1995–96	1,895.66	75.7	–12.4
1996–97	1,852.79	73.9	–2.3
1997–98 (BE)	1,800.66	71.9	–2.8
1998–99 (RE)	1,944.96	77.6	8.0

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
Source: Estimated by the author; based on MHRD (a) and (e).

TABLE 6.12: Percentage of Expenditure on Higher Education to Total Expenditure on Education

	Centre	*State/UTs*	*Total*
Total expenditure			
1989–90	21.5	11.0	12.3
1990–91	19.7	10.2	11.3
1991–92	20.0	9.7	10.8
1992–93	17.7	9.9	10.8
1993–94	14.2	10.5	11.0
1994–95	17.9	9.9	10.8
1995–96	12.8	9.7	10.1
1996–97	11.3	9.5	9.8
1997–98 (RE)	12.1	9.3	9.7
1998–99 (BE)	21.3	9.0	11.1

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
Source: MHRD (a).

less than the corresponding share in 1989–90 (Table 6.13). Even in most other states, one finds significant decline between 1990–92 and 1993–95. Barely two or three states could maintain the same levels, and just one state (Assam) could modestly increase its share during this period.

In current prices, the expenditure on higher education increased in several states, as shown in Table 6.14. These figures are not in real prices. But the increases do not seem to be adequate enough to (a) counterbalance the effect of inflation on the one hand and (b) increase enrolments on the other. As a result, per student expenditures in several states could be expected to have fallen steeply in many states during the 1990s.

A few more details on the expenditure of Central Government on higher education are worth noting. Budget allocations—both plan and non-plan—of the Central Government to UGC have continuously declined in real prices since 1990–91, year after year, though there were a few occasional ups in between, in two years. On the whole, the plan allocation to the UGC in 1996–97 was less than the allocation made in 1990–91 (Table 6.15).

The most serious casualty of all these cuts may be the quality of education, as investment in those inputs that have stronger relationship with quality, such as textbooks and other teaching and learning materials, has been reduced. The axe falls heavily on the petty amounts being invested in teaching and learning materials, including classroom materials in primary schools, books and journals in the libraries, consumable material in the laboratories, and other quality improvement programmes in secondary schools, colleges and universities. There is reason to believe that provision of inputs of such kind will fall more than the overall budgets and this would cause greater damage to education development. As Fuller and Habte (1992: 4) confirm, efforts to increase recurrent spending on textbooks are 'stymied at times by overall spending ceilings negotiated with IMF or World Bank economists'. Quality of education may deteriorate with increased number of students per teacher, with reduced number of books in libraries, etc. Internal efficiency of the system declines, contrary to claims of improved efficiency because of budget restructuring and other adjustment policies.

TABLE 6.13: Percentage of Expenditure on Education to Total State Budgets (All Departments, Revenue Account)

Year	*1989–90*	*1990–91*	*1991–92*	*1992–93*	*1993–94*	*1994–95*	*1995–96*	*1996–97*	*1997–98 (RE)*	*1998–99 (BE)*	*Change between 1989–90 and 1996–97*
Andhra Pradesh	25.7	22.2	22.3	24.4	23.4	24.5	20.8	17.5	19.5	20.1	–8.2
Assam	24.4	24.9	26.0	29.1	28.6	28.5	28.8	30.4	28.8	31.4	6.0
Bihar	28.8	26.8	23.9	23.2	22.1	21.9	24.6	28.9	26.5	28.3	0.1
Gujarat	24.1	24.1	23.0	20.7	21.5	23.2	23.8	23.4	23.0	23.1	–0.7
Haryana	19.9	18.8	18.0	21.0	15.8	10.0	14.5	12.9	15.2	20.8	–7.0
Himachal Pradesh	21.3	19.2	19.4	21.9	20.9	19.9	19.9	20.9	17.9	18.5	–0.4
Jammu and Kashmir	15.7	15.7	12.1	13.9	20.2	15.7	13.1	16.7	20.2	19.6	1.0
Karnataka	22.0	21.5	20.7	21.2	22.1	21.6	22.6	20.5	20.7	21.3	–1.5
Kerala	30.2	29.9	28.6	28.0	29.4	29.1	30.8	26.8	25.1	28.8	–3.5
Madhya Pradesh	24.7	25.3	25.9	24.1	23.4	24.9	24.5	21.1	22.8	18.2	–3.6
Maharashtra	22.4	22.3	23.4	22.1	22.9	23.8	23.7	23.3	20.9	17.6	0.9
Orissa	24.9	20.7	23.2	23.6	22.6	23.7	23.7	23.5	24.0	20.4	–1.4
Punjab	26.7	21.4	14.4	18.8	17.9	13.8	13.1	16.2	17.5	16.6	–10.5
Rajasthan	25.6	24.6	23.0	23.1	22.6	23.4	22.0	25.3	25.7	26.6	–0.4
Tamil Nadu	23.9	24.4	17.9	21.0	23.0	23.3	22.7	21.2	23.0	22.3	–2.7
Tripura	22.9	22.4	22.4	26.0	23.5	23.9	24.1	27.1	27.0	20.2	4.2
Uttar Pradesh	25.7	23.4	20.6	21.9	19.9	21.4	21.5	23.0	21.4	21.0	–2.7
West Bengal	24.6	28.6	24.8	25.8	25.1	24.42	24.3	24.8	24.7	24.4	0.1

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.

Source: MHRD (a).

TABLE 6.14: Budget Expenditure (Plan and Non-plan) on Higher Education, State Revenue Account (Rs Crore)

Year	*1989–90*	*1990–91*	*1991–92*	*1992–93*	*1993–94*	*1994–95*	*1995–96*	*1996–97*	*1997–98 (RE)*	*1998–99 (BE)*
Andhra Pradesh	231.2	210.7	244.0	290.8	310.5	348.2	350.4	391.8	431.9	477.7
Assam	53.9	48.0	44.8	53.7	64.7	75.8	89.7	86.6	114.6	112.1
Bihar	134.2	128.9	129.6	137.6	139.8	158.5	169.9	237.6	275.7	304.6
Gujarat	90.9	88.7	94.7	109.7	123.7	136.6	172.4	169.1	185.5	199.8
Haryana	47.4	45.8	52.9	57.0	65.4	74.1	90.0	98.5	113.1	194.5
Himachal Pradesh	12.2	14.7	15.4	17.1	19.1	23.3	26.6	31.6	33.3	40.9
Jammu and Kashmir	16.4	16.4	17.1	17.1	33.6	33.7	29.4	40.7	52.6	64.6
Karnataka	103.6	111.8	154.7	148.1	176.5	201.1	218.5	242.4	273.3	307.7
Kerala	82.1	93.1	123.0	154.4	208.0	209.3	253.6	252.6	292.6	304.9
Madhya Pradesh	91.1	99.0	106.9	130.6	139.5	151.9	189.3	208.4	232.7	239.5
Maharashtra	155.0	214.7	214.3	235.9	265.0	305.0	325.9	407.3	375.8	477.8
Orissa	66.5	64.0	79.7	86.1	93.8	125.8	151.1	160.0	180.5	190.2
Punjab	67.1	72.2	79.3	86.3	91.8	105.0	121.0	123.8	149.4	156.2
Rajasthan	63.4	73.0	77.6	86.2	98.2	110.8	127.5	135.0	158.4	195.9
Tamil Nadu	169.5	131.1	131.7	152.0	173.0	188.8	209.4	237.4	328.9	332.8
Tripura	6.5	5.2	6.8	7.9	7.3	7.4	8.1	9.6	10.4	11.6
Uttar Pradesh	142.1	164.2	147.8	169.4	273.9	237.5	245.2	312.2	361.3	357.4
West Bengal	131.7	181.3	150.9	173.1	203.4	237.8	255.8	287.3	355.5	358.6

(contd)

Table 6.14 (contd)

Annual rates of growth (%)

	1990–91/ 1989–90	*1991–92/ 1990–91*	*1992–93/ 1991–92*	*1993–94/ 1992–93*	*1994–95/ 1993–94*	*1995–96/ 1994–95*	*1996–97/ 1995–96*	*1997–98/ 1996–97*	*1998–99/ 1997–98*	*1998–99/ 1989–90**
Andhra Pradesh	–8.9	15.8	19.2	6.8	12.1	0.6	11.8	10.2	10.6	9.3
Assam	–10.9	–6.7	19.9	20.5	17.2	18.3	–3.5	32.3	–2.2	11.3
Bihar	–3.9	0.5	6.2	1.6	13.4	7.2	39.8	16.0	10.5	10.5
Gujarat	–2.4	6.8	15.8	12.8	10.4	26.2	–1.9	9.7	7.7	10.6
Haryana	–3.4	15.5	7.8	14.7	13.3	21.5	9.4	14.8	72.0	15.4
Himachal Pradesh	20.5	4.8	11.0	11.7	22.0	14.2	18.8	5.4	22.8	14.1
Jammu and Kashmir	0.0	4.3	0.0	96.5	0.3	–12.8	38.4	29.2	22.8	17.4
Karnataka	7.9	38.4	–4.3	19.2	13.9	8.7	10.9	12.7	12.6	12.6
Kerala	13.4	32.1	25.5	34.7	0.6	21.2	–0.4	15.8	4.2	16.3
Madhya Pradesh	8.7	8.0	22.2	6.8	8.9	24.6	10.1	11.7	2.9	12.4
Maharashtra	38.5	–0.2	10.1	12.3	15.1	6.9	25.0	–7.7	19.2	13.2
Orissa	–3.8	24.5	8.0	8.9	34.1	20.1	5.9	12.8	5.4	14.4
Punjab	7.6	9.8	8.8	6.4	14.4	15.2	2.3	20.7	4.6	10.2
Rajasthan	15.1	6.3	11.1	13.9	12.8	15.1	5.9	17.3	23.7	12.6
Tamil Nadu	–22.7	0.5	15.4	13.8	9.1	10.9	13.4	38.5	1.2	10.5
Tripura	–20.0	30.8	16.2	–7.6	1.4	9.5	18.5	8.3	11.5	7.5
Uttar Pradesh	15.6	–10.0	14.6	61.7	–13.3	3.2	27.3	15.7	–1.1	11.9
West Bengal	37.7	–16.8	14.7	17.5	16.9	7.6	12.3	23.7	0.9	11.7

* Based on semi-log regression equations.

Note: ‘RE’ stands for ‘revised estimates’ and ‘BE’ for ‘budget estimates’.

Source: MHRD (a).

TABLE 6.15: Assistance of the Union Government (Department of Education) to UGC (Rs Crore)

Year	*In current prices*			*In constant (1980–81) prices*		
	Plan	*Non-plan*	*Total*	*Plan*	*Non-plan*	*Total*
1990–91	112.5	244.2	356.7	49.9	108.3	158.1
1992–93	127.6	308.1	435.7	45.4	109.7	155.2
1993–94	132.0	337.0	459.0	42.9	109.5	149.1
1994–95	216.7	345.6	562.3	64.0	102.0	166.0
1995–96	190.3	450.8	641.1	51.9	123.0	175.0
1996–97	184.0	445.0	629.0	47.3	114.4	161.7
1997–98 (RE)	323.1	545.0	868.1	71.9	121.2	193.1
1998–99 (BE)	323.1	847.0	1170.1	65.9	172.8	238.6

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
Source: MHRD (a).

Since salaries cannot be cut, salary budgets could be reduced only by not filling the vacant faculty positions, a measure many universities in India have had to resort to in the recent past, as a response to physical directions of the Ministry of Finance to not fill up the vacant posts and/or as an unavoidable response to financial restructuring and reduced budgets. Alternatively temporary teachers are recruited or guest faculty appointed. The budgets on libraries, laboratories and similar facilities are also severely affected. Devaluation, and the accompanying price rise, has led to an enormous increase in prices of books and journals, and as a result, many universities have had to inflict very serious cuts on library budgets. For example, only 67 per cent of the number of journals subscribed to by the University of Delhi in 1990 could be renewed in 1991; and in 1992 only 55 per cent of the journals subscribed to in 1991 could be continued. That is, in a short span of the two years of the reforms period, the number of journals subscribed to came down to 39 per cent, from 2,327 in 1990 to 863 in 1992 (Ghosh 1993: 1562). Similar, if not worse, trends could be noted in case of several other universities.

During the process of economic liberalisation, investment priorities tend to switch from non-tradable goods and services to tradable ones. As a result, the priority shifts in favour of physical capital goods at the cost of intangible human capital formation. Within higher education, revenue-generating courses would receive priority over those generating less or no revenue, which may really be very valuable courses. This happens not only in the social sciences and humanities, but also in physical and biological sciences. Short-duration education and crash courses get preferred to long-duration education programmes, and short-term training programmes to long-term training. Shifts take place in favour of tradable disciplines like engineering and hotel management, as against the social sciences and research. But even among tradable disciplines, instead of proper disciplines of study, the priority shifts in favour of cheap, marketable, skill-oriented courses, like the computer courses being offered by computer shops. Budget allocations to research confirmed this phenomenon. The Union Government's plan expenditure on research has come down from a low level of Rs 5.35 crores in 1989–90 to 4.6 crores in 1994–95. In real terms, it declined by 11 per cent every year. Non-plan expenditure on research also declined in real terms. This was in case of research in general education. Research in technical education suffered more severely—even in current prices, the plan expenditure declined by 60 per cent and non-plan expenditure by 82 per cent. Obviously, the decline in real prices is higher (Table 6.16). This shift in allocation away from research activities could be largely attributed to the myopic conception that research is not as easily tradable as other areas like computers, fashion technology and hotel management.

Further, plan allocations to scholarships in higher education came down in real prices. After a steep decline in the beginning of the 1990s, the allocations in 1995–96 could, at best, equal the level of 1989–90. Non-plan allocations to scholarships were cut in current prices, and more drastically in real prices. The total expenditure on scholarships, which in fact forms a very small proportion of the total expenditure on higher education, declined from about 0.5 per cent of the total in 1996–97 to 0.32 per cent in 1998–99 (Tables 6.17 and 6.18).

TABLE 6.16: Expenditure on Research by Department of Education, Government of India (Rs Crore)

	General			*Technical*		
	Plan	*Non-plan*	*Total*	*Plan*	*Non-plan*	*Total*
In current prices						
1989–90	5.35	5.10	10.45	28.30	22.87	51.17
	(9.2)	(1.2)	(10.2)	(2.1)	(16.1)	(9.2)
1990–91	4.51	6.96	11.47	3.01	2.42	5.43
	(8.2)	(2.1)	(12.9)	(1.9)	(1.6)	(1.8)
1991–92	5.51	7.05	12.56	6.70	4.40	11.10
	(8.7)	(3.4)	(15.0)	(4.2)	(2.8)	(3.5)
1992–93	4.28	7.15	11.43	3.09	2.50	5.59
	(9.5)	(.)	(.)	(1.8)	(1.4)	(1.7)
1993–94 (RE)	5.25	7.95	13.20	4.01	7.51	11.52
	(.)	(.)	(.)	(1.8)	(1.9)	(1.9)
1994–95 (BE)	4.60	8.01	12.61	11.35	4.15	15.50
	(.)	(.)	(.)	(5.1)	(2.0)	(3.6)
In 1980–81 prices						
1989–90	2.63	2.52	5.15	13.95	11.27	25.22
1990–91	2.00	3.09	5.09	1.34	1.07	2.41
1991–92	2.13	2.73	4.86	2.60	1.70	4.30
1992–93	1.52	2.55	4.07	1.10	0.89	1.99
1993–94 (RE)	1.71	2.58	4.29	1.30	2.44	3.74
1994–95 (BE)	1.35	2.34	3.69	3.32	1.21	4.53
Real rate of growth (%)						
1990–91 / 1989–90	–23.9	22.9	–1.1	–90.4	–90.5	–81.0
1992–93 / 1990–91	6.5	–11.8	–4.6	94.1	58.8	78.4
1992–93 / 1991–92	–28.6	–6.7	–16.3	–57.6	–47.8	–53.7
1993–94 / 1992–93	11.9	1.4	5.4	18.4	174.1	88.0
1994–95 / 1993–94	–21.1	–9.2	–13.9	155.0	–50.2	21.2
1994–95 / 1989–90	–11.0	–0.7	–6.1	23.9	8.9	10.6

Note: Figures in ( ) are percentages to total expenditure on general/technical education, and those represented by (.) are not estimated due to errors in totals in print.

'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.

Source: Based on MHRD (a).

TABLE 6.17: Expenditure on Scholarships in Higher Education for State and Union Territories (Rs Crore)

	In current prices			*In constant (1980–81) prices*			*Percentage of total expenditure on higher education*
	Plan	*Non-plan*	*Total*	*Plan*	*Non-plan*	*Total*	
1989–90	2.7	8.7	11.5	1.3	4.3	5.7	0.52
1990–91	2.0	9.4	11.3	0.9	4.2	5.0	0.49
1991–92	1.8	11.2	13.0	0.7	4.3	5.0	0.53
1992–93	1.9	10.7	12.6	0.7	3.8	4.5	0.47
1993–94	1.8	11.6	13.4	0.6	3.8	4.4	0.43
1994–95	4.3	9.7	14.0	1.3	2.9	4.1	0.40
1995–96	4.6	10.1	14.7	1.3	2.8	4.0	0.38
1996–97	7.9	9.2	17.1	2.0	2.4	4.4	0.40
1997–98 (RE)	10.9	12.4	23.3	2.4	2.8	5.2	0.46
1998–99 (BE)	9.1	12.9	22.0	1.9	2.6	4.5	0.32

Note: 'RE' stands for 'revised estimates' and 'BE' for 'budget estimates'.
Source: Based on MHRD (a).

On the whole, the basic pursuits of universities, namely advancement of learning, knowledge and scholarship seem to slowly give place to objectives such as revenue generation. All the universities have to compete with one another to run revenue-yielding training programmes and courses. Thus, the fine distinction between higher education and training is getting lost. Higher education has to perform the role of creation and dissemination of knowledge, while the purpose of training is to impart job-relevant skills. Some of the recent shifts in emphasis in higher education and on disciplines of study in higher education institutions, in particular, suggest that this distinction is being ignored and higher education is being equated with training. The original purpose of higher education takes a backseat and even the principle of comparative

TABLE 6.18: Union Government Expenditure on Select Items (Percentage of Total Expenditure on Higher Education)

	1991–92			*1994–95*			*1996–97 (BE)*		
	Plan	*Non-plan*	*Total*	*Plan*	*Non-plan*	*Total*	*Plan*	*Non-plan*	*Total*
In current prices									
Institutes of higher learning	1.0	1.6	2.6	2.1	2.5	4.6	4.2	2.7	6.9
Research	5.5	7.1	12.6	4.9	8.8	13.7	8.4	8.4	16.7
Scholarships	0.0	1.8	1.8	0.0	0.5	0.5	1.0	0.6	1.6
IITs	17.0	95.3	112.3	31.9	134.0	165.9	26.0	125.2	151.2
IIMs	8.2	9.6	17.8	7.9	15.0	22.9	11.0	16.0	27.0
In constant (1980–81) prices									
Institutes of higher learning	0.4	0.6	1.0	0.6	0.7	1.4	1.1	0.7	1.8
Research	2.1	2.7	4.9	1.4	2.6	4.0	2.2	2.2	4.3
Scholarships	0.0	0.7	0.7	0.0	0.1	0.1	0.3	0.2	0.4
IITs	6.6	36.8	43.4	9.4	39.5	49.0	6.7	32.2	38.9
IIMs	3.2	3.7	6.9	2.3	4.4	6.8	2.8	4.1	6.9

Note: 'BE' stands for 'budget estimates'.

Source: Based on MHRD (a).

advantage is not cared for. As André Béteille (1995: 403–04) summed up,

> hotel management and computer science are no doubt important in their own right, but they do not belong to the core of the university as a repository of knowledge and a centre of learning. Indeed, such practical and applied subjects can be more efficiently handled in specialized institutions outside the universities ... The universities in India must continue to do what they were established to do—the advancement of learning—and what they are best capable of doing.

The real rates of growth in the expenditure of the central as well as state governments on specialised human capital (Schultz 1988), namely research and development during the 1990s, were much lower than the rates of growth during the 1980s, as the figures in Table 6.19 reveal. All this has resulted in a decline in the production of scientific and technical manpower. According to a study by the National Institute of Science and Technology and Development Studies (Maliakan 1994), since 1991, there has been a steady decline in the out-turn of M.Sc. and Ph.D. graduates in the sciences and engineering disciplines. Further, it is not only the human and financial inputs into human capital that get sacrificed, but the output of the human capital sector available to the domestic economy may also get affected, given the high levels of educated unemployment. With the liberalisation of the economy, it might result in increased levels of brain drain—outflow of the educated manpower, including specifically of scientific and technical manpower—on the one hand, and escalation of qualifications for jobs on the other (Lourie 1987: 170). As a result, developing countries may have to face increased levels of brain drain, as 'competition for quality graduates will remain fierce' (Task Force on Higher Education and Society 2000: 94).

Shifts in Higher Education Policy

With primary education suffering severely as a result of structural adjustment reforms, and as a response to the demand for 'adjustment with a human face' (Cornia, Jolly and Stewart 1987, 1988), the World Bank launched the 'social safety net' programmes (World Bank

TABLE 6.19: Growth in Expenditure on R&D Per Annum (Rs Crore)

Year	*In current prices*				*In constant (1980–81) prices*			
	Centre	*States*	*Private industry*	*Total*	*Centre*	*States*	*Private industry*	*Total*
1980–81	580.49	59.34	120.69	760.52	580.49	59.34	120.69	760.52
1985–86	1,654.06	162.78	251.94	2,068.78	1,105.92	108.84	168.45	1,383.21
1990–91	3,058.27	365.92	549.98	3,974.17	1,355.80	162.22	243.82	1,761.84
1991–92	3,467.29	408.58	636.94	4,512.81	1,339.28	157.82	246.03	1,743.13
1992–93	3,664.84	503.51	836.25	5,004.6	1,305.32	179.34	297.85	1,782.51
1993–94	4,272.42	561.13	899.88	5,733.43	1,388.02	182.30	292.35	1,862.68
1994–95	4,710.51	593.06	1,318.87	6,622.44	1,390.21	175.03	389.24	1,954.47
1995–96	5,199.79	657.02	1,627.07	7,483.88	1,419.28	179.33	444.11	2,042.72
1996–97	5,817.76	725.45	1,796.96	8,340.17	1,495.64	186.50	461.97	2,144.11
1997–98	6,530.27	794.8	2,175.65	9,500.72	1,452.78	176.82	484.02	2,113.62
Annual rates of growth								
1980–81 / 1990–91	8.49	12.48	11.83	9.21	2.26	4.91	4.47	2.74
1990–91 / 1997–98	16.22	16.74	42.23	19.87	1.02	1.29	14.07	2.85

Source: Based on DST (1993a, 1993b, 1998a, 1998b).

1990a) that deliberately protect primary education from budget cuts, and, in fact, might result in increased budgets for primary education,[15] though some doubt the safety of the social safety nets (for example, Vivian 1995). In fact, it is increasingly realised that basic education should be kept completely out of adjustment programmes (for example, Sanyal 1992; Tilak 1993a). As a consequence, primary education gets somewhat protected from budget cuts under adjustment,[16] and the higher education sector suffers severely. The suffering of higher education increases further with the adoption of policies that involve a reduction of public subsidies and increase in the role of the private sector in higher education.

The short-term and long-term responses of the higher education system in India to the adjustment policies are indeed disturbing. While the major policy responses in case of higher education are varied, a major type of response relates to the role of the State in financing higher education. The adjustment policies directly and indirectly contribute to the restoration of the market mechanism in general, and privatisation of education in particular—directly, as adjustment policies specifically include privatisation or marketisation, and indirectly through a reduction in the government subsidies. As public budgets for education shrink, privatisation will be on an increase, with all its ill effects (see Tilak 1991). Private enrolments and private investments will increase, but the increase will not balance the decrease in public investments, and as a result, social investments in education will be sub-optimal, as we have already noted in case of expenditure on research and development (in real prices) in Table 6.19.

These economic policies also lead to a polarisation of otherwise weak arguments into a strong force. For instance, Rao (1992) argued for a withdrawal of government subsidies in higher education to the extent of about 50 per cent. Dandekar (1991) had strongly pleaded for a model according to which students would be required to bear the full costs of higher education, and the role of the government would be minimised to provide the minimum physical facilities. Though the UGC (1993) and AICTE (1994) argued for committed State support for higher and technical education in the country, their suggestions for increase in fees and other methods of mobilisation of private resources received more attention. The changes in the policies, *inter alia*, with respect to (a) student fees, (b) student loan programmes, (c) privatisation and (d) overall neglect of the higher education system seem to be a response to the adjustment policies, and they are briefly discussed here. They are not necessarily distinct—mobilisation of non-governmental resources for public higher education can also be seen as a form of privatisation of higher education (Tilak 1991). Explicit policies favouring privatisation of education are a direct response to adjustment policies.

Student Fees

An important outcome of adjustment policies is the introduction of increased measures of cost recovery. Given the tendencies of increased cost recovery, equity will also be affected. Cost recovery measures such as student fees were introduced even at the primary level in some developing countries, though recent discussions on cost recovery have been confined to post-primary levels of education.[17] Student fees and student loans are the two most vehemently argued measures of cost recovery. Some even suggest full cost recovery particularly at the tertiary level of education. As cost recovery measures are introduced, and direct and indirect subsidies in education are subject to cuts, access to education may be seriously restricted, and inequities may increase in terms of lower enrolment rates in the case of women and other weaker socio-economic sections.

The Government of India (1994) has indicated that subsidisation of higher and technical education has to be reduced. Reduction in State subsidies also necessitates the mobilisation of resources through fees and other channels. Increase in student fees has been one of the most frequently made, strong arguments in this context. The World Bank (1986, 1994) has been strong and consistent in arguing the same. Very few people have paid attention to the fact that fee revenue in higher education in India constitutes about 15 per cent of the recurring costs of higher education, a proportion favourably comparable with other developing and developed countries, including the US, and that it would be neither desirable nor feasible to aim at increasing this proportion significantly, unless equity considerations were to be sacrificed (Tilak 1993b, 1997a). The UGC (1993) and also the AICTE (1994) have strongly advocated for an increase in tuition fees and other charges.[18] Quite a few universities and institutes of technology and management have already enhanced their user charges steeply for admission, entrance examination, tuition, examination, hostel and miscellaneous services like application forms, brochures, etc. Application or registration fees for admission in many public, not to speak of private, institutions have been fixed at above Rs 500, while it used to be available at one-fiftieth to one-tenth of the same price, if not free of cost, earlier. As a result of such increases, many universities have been found to be generating more than 20 per cent of their needs from student fees (Table 6.20). It is feared that all this in itself would prevent many from seeking admission in higher education. The dual-pricing mechanism in private institutions (for example, in capitation fee colleges) allows the charging of exorbitantly high fees (nearly equivalent to full-cost pricing) from about half the students and reasonably high charges from the remaining half (Tilak 1994). All these regressive policies will have a deterring effect on social demand for higher education, as the policies principally aim at squeezing as much money as possible from the students, irrespective of other considerations.

While all those who advocate increase in fees also argue for sufficient protective measures for the weaker sections, any increased efforts being made in the form of scholarships, etc., for these sections are yet to be seen. Additional budgets for scholarships and other student-welfare schemes are least forthcoming during the periods of declining overall budgets. For example, the budgetary allocations to scholarships by the Government of India have declined drastically during the reforms period, as shown in Table 6.17. In real (1980–81) prices, allocations for scholarships declined from Rs 5.7 crores in 1989–90 to Rs 4.4 crore in 1996–97. All this will drastically affect the demand for higher education at a time when the demand for a higher-educated labour force is likely to increase significantly, and more importantly, the composition of the students in the universities will change in favour of the rich.

TABLE 6.20: Distribution of Universities by the Share of Fees in the Income of the Universities (1990s)

< 5%	5–10%	10–20%	20–30%	30–40%	40–50%	> 50%
• Hyderabad	• Anna	• Andhra	• Calicut	• Guru Jambeswar	• Bangalore	• Mumbai
• Kalyani	• Delhi	• Bhavnagar	• Goa	• Punjab		• Karnataka
• Maharshi Dayanand	• J. N. Vyas	• Calcutta	• Kannur	• SNDT Women's		• State Open
• Rabindra Bharati	• Osmania	• Dibrugarh	• Karnataka			• Kuvempu
• Tamil		• Dr Harsingh	• Kumaon			• M. D. Saraswati
• Viswa Bharati		• Rajasthan	• Mangalore			• Pune
		• Sri Venkateswara	• Mysore			• YCM Open
			• Saurashtra			
			• IGNOU			

Source: Tilak and Rani (2000).

Student Loans

The World Bank (1986, 1994) has been arguing for the development of the credit market in higher education to float student loan schemes, so that higher education becomes self-financing in the long run, and also to ensure that the weaker sections can be protected from the effects of privatisation and high user charges, though the World Bank research (1994) has clearly shown that the student loan programme has not been satisfactorily working in any developed or developing country, with very high rates of non-recovery and default costs. The 1994–95 budget of the Government of India responds to this by providing concessions to educational loans. The AICTE (1994) recommended the setting up of an Educational Development Bank of India to float student loans to the needy students and also to institutions. Many commercial banks have already started offering loans to students.

In addition to the problems generally well known with respect to student loan programmes in India (see Tilak 1992b), monetary contractions and liberalisation of the financial and capital markets with attendant rise in interest rates, credit rationing, etc., will not provide an overall conducive environment for the revival or revitalisation of student loan programmes that will help the weaker sections. As Eaton (1995) observed in case of the US, 'since borrowing and saving are easier for the more affluent, we can expect the "education mortgage" approach to further undermine any commitment to access for low-income and some minority students'. Obviously, this would be more relevant for India. Hence, 'it would be irresponsible not to emphasize the real danger that the prospect of high debt may discourage vulnerable population groups from participating in higher education' (Baum 1996: 35). Tilak (1997a) has discussed at length the problems and consequences of loan programmes. At least one point that has to be noted is that the optimistic claim that student loan programmes will ease the financial burden of the government considerably, and in the long run higher education would become completely self-financing, is not borne out of empirical evidence available from other countries and even India (see also Tilak 1999c).

Privatisation

The World Bank's economic reform policies and privatisation are synonymous by many. Rather, privatisation, or a movement towards privatisation, has become the most significant agenda of the Bank (Richardson and Haralz 1995). The underlying philosophy of these policies is that any aspect related to the public sector is inefficient and any aspect related to the private sector is, *ipso facto*, efficient and desirable. Accordingly, privatisation is being pursued in all sectors of the economy, including higher education, as an effective measure of improving efficiency and easing the financial crisis. But overall efficiency of the system may indeed suffer and financial gains may not be sizeable. It 'is likely to do very little for efficiency while actually deteriorating the government's budget in an in temporal sense' (Rodrik 1990: 9421).

In case of higher education in India, privatisation takes several forms (Tilak 1991). *Inter alia*, the two important ones are: (a) privatisation of institutions through increased private financing, such as fees, and (b) privatisation of the system through increased number of private institutions and a stagnant number and declining proportion of public institutions in the total. Both types of privatisation seem to take place rapidly in India. The Government of India (1993: 204) observed that 'higher education needs to be extended in an equitable and cost effective manner mainly by large scale expansion of distance education and increased involvement of *voluntary and private agencies*' (emphasis added). It is interesting to note that it is only now during the process of adjustment that favourable reference to private agencies in higher education is explicitly made by the Government of India. None of the earlier reports on education, including that by the Education Commission (1966), and the *National Policy on Education 1968* or *1986*, has advocated in favour of an increased role of private agencies in higher education.

The governments and private enterprises feel that this is the best time to sell any argument in favour of privatisation. As a result, even ethically and constitutionally illegal institutions, such as the capitation fee colleges, receive approval and support (see Tilak 1999b). There may be some forces with vested interests that try to exploit the situation characterised by adjustment policies, and the growth of the capitation fee colleges may be attributed to these forces. The Private University Bill introduced in Parliament (Government of India 1995b) further legitimises the capitation fee phenomenon, as private universities envisaged in the Bill and the existing capitation fee colleges seem to be treated alike in several features. Both rely extensively on fees; both are not only based on the principle of full-cost pricing, but also the Bill does not prohibit private institutions from making profits.

Second, similar forces also help in the growth of private education institutions that rely mostly not on private finances, but on the finances from the public exchequer, which can be described as pseudo private institutions (Tilak 1991). Most such private institutions rely upon government finances to the extent of 95 per cent of the recurring, and even development, expenditures. Even the strong advocates of privatisation might feel that privatisation of education of this form with price controls and cost underwriting through State grants is a system worse than other forms of privatisation (Ravishankar 1989).[19] The voluntary or non-governmental organisations that rely heavily on government funds also belong to this category.[20] These institutions are also found contributing to distortions in allocation of public resources, by capturing a disproportionate share of the budgetary resources and leaving very little amounts for State-run institutions. In a sense, through the mechanism, private enrichment and public pauperisation seem to take place in higher education. The role of the private institutions—both State-supported and self-financing—is extremely limited in the development of higher education in India, and in the financing of higher education in particular, if the four decades of experience is any guide.

Neglect of Higher Education

Though it is not necessarily an important policy shift, another aspect may be briefly noted in this context that reflects the overall neglect of higher education by the government and other public bodies. The neglect is clear from the absence of any discussion on higher education in important official documents. For example, in the recent past no reference at all to higher education can be found in the chapters on education in the *Economic Survey* (Government of

India). The whole discussion, whether it relates to quantitative or qualitative achievements or budget allocations, is concentrated on elementary education and literacy programmes. While a discussion on literacy and elementary education is important, it does not mean that higher education can be altogether ignored. More importantly, even the Five Year and Annual Plan documents of the Planning Commission do not provide explicit information on allocations to higher education. At best, *ex-post* expenditure levels are mentioned, but not *ex-ante* allocations (for example, Planning Commission 1992, 1999). Third, it is quite surprising that even basic statistics like enrolments in higher education are not available for the recent period. Perhaps they are not being properly collected. Publications of the UGC that used to provide detailed information of this kind, now only give *estimates* on enrolments from 1987–88 onwards.[21] In the absence of such basic vital statistical information, policy formulation on important issues and planning of education cannot be sound; there is much scope for committing serious blunders that would be dangerous to the society in the long run.

Concluding Observations

Under structural adjustment, the education sector is also subject to reforms. But as Lipton (1995: 2) noted, '"educational reform" used to mean universal schooling, primary first, free at least to the poor; now it is coming to mean primarily financial stabilisation and recovery of costs from users'. This statement sums up the whole approach towards educational reforms under adjustment in developing countries. In this chapter, the effects of adjustment policies on higher education in India—specifically short-term trends in budget allocations for education and reforms in education in the form of shifts in educational policies—are briefly analysed. Many of these reforms are 'finance-driven' and some are 'competitiveness-driven' (see Carnoy 1995). With the help of the limited available data for a short period, it has been shown how the adjustment policies tend to result in severe budget cuts or significant reduction in rates of growth in budget expenditure on higher education, and more importantly, result in major shifts in policies relating to

State financing of higher education in undesirable directions. It has also been felt that countries that have not adopted adjustment programmes are likely to maintain relatively high levels of public spending on education than those that adopted such policies and programmes. However, it may be probable that the cuts inflicted on the education budgets would be more severe, but for the adjustment policies, as these policies are resorted to due to severe economic problems. As Bhagwati and Srinivasan (1993) argued that there was no option for the Government of India but to adopt stabilisation and adjustment policies. In other words, one might argue that severe economic difficulties have forced the government to drastically cut its spending on education, and that the adjustment policies helped in reducing the cuts and 'without some form of adjustment, the situation would have been worse' (Cornia, Jolly and Stewart 1987).[22] This is only a hypothesis, yet to be empirically checked. However, it may be tenable to argue that adjustment may not be the exact cause of the problem of declining budgets, but may also not be the solution to the problem. However, what is clear is a strong association between adjustment policies and declining public budgets for higher education, and shifts in policies relating to the financing of higher education.

An important contradiction in the adjustment policies relating to higher education is that while the success of adjustment programmes, that include globalisation and international competition in markets, requires highly skilled manpower in large numbers, the policies are likely to have tremendous adverse effects on the growth of higher education that produces human capital in general and specialised human capital in particular (Tilak 1997c). The underlying assumption that the success of adjustment programmes does not require public investments in human capital, including specialised human capital, can be proven a wrong and even suicidal assumption. The demand for skilled manpower increases rapidly with the opening up of the economy and the entry of multinational firms, as the experience of the East Asian counties (World Bank 1993), and even the short Indian experience, has shown. In other words, globalisation and adjustment programmes reward countries that have highly skilled human capital to exploit, and penalise those that do not have it (see

Stewart 1995). But as State support for higher education declines, the supply of skilled manpower might fall, producing shortages of skilled manpower, thereby affecting the overall economic growth. Thus, it is important to note the inter-relation between adjustment and higher education. Higher education may be an important determinant of the success of economic reforms; in turn, the level of resources available for education may be linked to the success of the macroeconomic reforms, and lack of success may lead to further deterioration in spending on education.

The growth of the private sector in production activities also increases the demand for skilled manpower, and given the stagnant or declining supply of manpower, the private sector might attract with good wages and incentives the skilled manpower from public sector, thereby affecting the public sector adversely, resulting in a fall in the efficiency levels of the public sector further, as, for example, has been happening in case of the Indian airlines industry. Further, public investments in higher education should also increase, as globalisation might result in an increase in the brain drain of the specialised human capital, leading to shortages of manpower, and thereby hampering economic growth domestically.

The approach to higher education has not been clear. The conflicting approaches and policies lead many to observe that higher education in India is at the crossroads. During the periods of economic austerity, including the present adjustment process, there is a danger that short-term compulsions may lead us to accept without any verification some of the otherwise questionable presumptions (Tilak 1998a). One such particular presumption is about the expansion of the higher education system. There is a strong presumption that the higher education system in India has over-expanded and that there is need to contract the demand for it. While the enrolment in higher education is of the order of about five million, it should be noted that it forms only about 5 per cent of the relevant age-group. Looking at the enrolment ratios in developing and developed countries, it seems tenable to argue that a 20 per cent enrolment ratio should be regarded as a threshold-level ratio in higher education, as in no developed country is the enrolment ratio less than 20 per cent (see Tilak 1998b). All this suggests that the present level of enrolment in higher education in India can be described as sub-optimal and that there is need to expand it.

The policy measures that are being formulated and implemented with regard to fees in higher education, student loans and privatisation at large have significant potential to damage the equity, quality and quantity dimensions of higher education. These measures cannot solve the problems arising out of cuts in public budgets. In other words, adjustment measures along with the policy measures in education will result in sub-optimal investments in education, producing serious problems for the economy. 'Higher education determines its (India's) economic and technological progress. [Therefore], the State or Government funding must continue to be an essential mandatory requirement for support to higher education. The Government/State must continue to accept the major responsibility for funding the essential maintenance and developmental requirements of the universities' (UGC 1993: 18, 107).

While it is good to protect primary education from the adverse effects of adjustment, the effort is not adequate; the whole education system, including higher education, in developing countries need to be safeguarded from impending budget cuts. Further, critical reviews of alternative methods of funding higher education (for example, Colclough 1991; Tilak 1997a) have shown that the most efficient and equitable way of financing higher education in developing countries continues to be State financing out of general and specific tax revenues. This will be true in the era of structural adjustment and liberalisation as well (see Brown 1996).

Endnotes

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[1] For the same reason, most of the economic reforms introduced since 1980 in many countries can best be described as 'market reforms', as against 'redistributive reforms' of the earlier decades (see Lipton 1995).

[2] Kakwani (1995) later extended the analysis to cover the period up to 1990.

[3] Not just the World Bank research, but also others were highly optimistic about India's economic growth in the 1990s. For example, Adams (1990: 9) concluded that 'India remains well poised to continue its rapid growth through the 1990s'. See also Rosen (1991).

[4] Author's calculations (rates of growth based on semi-log regression equation). Data are based on IAMR (1999: 266–67).

[5] See also several papers in Parikh and Sudarshan (1993).

[6] The percentage of the poor in rural areas increased from 35 per cent in 1990–91 to 45 per cent in 1998 (Gupta 1999).

[7] The rate of unemployment (unemployed per 1,000 population) increased from 56 in 1993–94 to 72 in 1999–2000 among males, and from 67 to 73 among women, in rural areas. The unemployment among males in urban areas increased during the same period from 56 to 70. *The Hindu* (20 January 2001).

[8] For example, see Noss (1991), Kakwani, Makonnen and van der Gaag (1990), Tibi (1989), Bestecher and Carr-Hill (1990), Sanyal (1992), Reimers (1994), UNESCO (1993), Fuller and Habte (1992), Ilon (1994) and Tilak (1989, 1990a, 1992a). But most of the surveys referred to human development or social sectors, and within education, to basic education in particular, and rarely focused their attention on higher education or on other levels of education. The likely effects of adjustment policies on human development in general or social sectors, and on education in particular, specifically on primary education in India, have been briefly reviewed in the literature. See Gupta and Sarkar (1994), Prabhu (1994, 1995), Tilak (1998a), Panchamukhi (2000), etc.

[9] For example, Kakwani (1995: 495–96) argued that 'the effects of structural adjustment programmes on social indicators can be fully realized only in the long run; it may be too early to measure such effects now'.

[10] In the 1992 judgement on capitation fee colleges, the Supreme Court ruled that the capitation fee phenomenon was 'patently unreasonable, unfair and unjust ... [it was] wholly abhorrent to the Indian culture and heritage'. Specifically, it was also stated that private colleges 'set up with Government permission' could not charge fees higher than the fees charged in government colleges. In contrast, in the subsequent judgement in 1993, the Supreme Court *de facto* legalised the capitation fee phenomenon by

introducing a differential fee system in private colleges, according to which half the places in these colleges were referred to as 'free' seats to be made available to meritorious students at fees equivalent to fees in government colleges and the remaining half as 'payment' seats for less meritorious students at high rates of fees (equivalent to or more than full costs), which could, in fact, be 20–50 times higher than the fees in government colleges. The two judgements of the Supreme Court were reproduced in the *Journal of Higher Education* 16 (1), Autumn 1992, 73–86 and *Journal of Higher Education* 16 (2), Spring 1993, 303–28, respectively. See also Tilak (1995c).

[11] For the same reason, empirical database for much of the research on the effects of adjustment in India available until recently (for example, Ravallion and Subbarao 1992; Prabhu 1994, 1995; Gupta and Sarkar 1994; Jalan and Subbarao 1995; Parikh and Sudarshan 1993; International Labour Organisation 1992; Upendranadh 1994) refers actually to the pre-adjustment period.

[12] See Noss (1991) and UNESCO (1993).

[13] To convert the expenditure figures into real (1980–81) prices, GDP deflators are used.

[14] When one speaks about intra-sectoral priorities, specifically the relative priority for higher education here, it has become normal to view it as if one is arguing in favour of increase in the share of higher education at the expense of, say, primary education. But there is no need to view 'education in a truncated fashion and set one sector against another', as the UGC (1993: 18) has stated. After all, everyone agrees that 'while it is mandatory that the nation achieves universal elementary education and total literacy, at the same time it cannot afford to neglect and relegate to a neglected position our quest to achieve global standards in higher education' (ibid.).

[15] In India, the social safety net programme in education has been launched under the broad umbrella of the District Primary Education Programme (DPEP) in several states.

[16] Recent analyses suggest that contrary to massive claims by the government, public expenditure on primary education as a proportion of GDP fell from 1.68 per cent in 1989–90 to 1.46 per cent in 1996–97. Second, the share of elementary education in total expenditure on education has not improved significantly in the recent period. It has remained the same, between 45 and 50 per cent, for the last two decades. See Tilak (2000).

[17] This is not likely to continue to be confined to higher education. For example, the World Bank began arguing rather explicitly for the introduction of fees and mobilisation of private resources for primary

education in developing countries in general (World Bank 1995a: 132) and India in particular (World Bank 1995b: 120).

[18] Though these committees have suggested aiming at *gradually* raising fees and other non-governmental resources to recover about 20 per cent of the costs, the said proportion is being attributed to fees only and is interpreted as a minimum level and not as a maximum level.

[19] Quoted in Sen (1993: 182).

[20] In this context, it may have to be noted that every new college recognised by and affiliated to a university, whether it receives State finances or not, not only cannot be subject to quality control and fair practices of the management, but also that every such institution has a legitimate voice in the running of the university system in the country.

[21] For example, see the recent *Annual Reports* of the UGC.

[22] For the same reason, Squire (1991: 182) argues that any analysis of the effects of structural adjustment must compare the outcomes not with the pre-adjustment period, but with the outcomes that could be expected from alternative policies that would have been economically and politically feasible under the difficult economic conditions.

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STUDENT LOANS AND FINANCING OF HIGHER EDUCATION[*]

Higher education in India is faced with the severe challenges of rapidly rising demand for higher education, rapidly shrinking public budgets and emerging strong national and international market forces dominating the higher education scene. Several alternative methods of financing of higher education are under discussion, and some are already implemented, the most important among them being student fees, student loans and privatisation. Loans figure prominently in the policy discourses on funding higher education and have replaced scholarships as a mechanism of promoting equity in the system. This chapter reviews the experience of India with the loan programmes—an old one called the National Loans Scholarship Scheme and a new one called the Educational Loan Scheme operated by commercial banks.

The following section provides a brief introduction to the current status of higher education in India, followed by an overview of the trends in the financing of higher education in recent years. Only a few highly selective issues are discussed in these two sections, which form the background for an analytical discussion on student loans as a method of financing higher education. The succeeding section reviews the experience of India with the two loan programmes. The chapter ends with a few general observations on the nature, strengths and weaknesses of student loans. It is hoped that the experience of India will provide valuable lessons for India and also for other countries facing similar challenges.

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[*] Reprinted from *Students Loan Schemes: Experiences of New Zealand, Australia, India and Thailand and Way Forward for Malaysia* (2009), IPPTN and Penerbit Universiti Sains Malaysia Press, Pulau Pinang, 64–94.

Higher Education in India

Higher education has expanded remarkably in India during the post-Independence period.[1] At the time of Independence, there were 20 universities and about 500 colleges with an enrolment of less than 150,000. In contrast, according to the latest statistics available, there were nearly 400 universities and 16,000 colleges in 2004–05, with a student enrolment of above 12 million and 470,000 teachers. Public expenditure on higher education also increased substantially during the post-Independence period. At the inception of planning in the country (1950–51), India was spending Rs 172 million on higher education. In 2005–06, the government expenditure (budget estimate) alone was of the order of Rs 107,000 million[2] (MHRD 2006). As a proportion of national income, it marks an increase from 0.18 per cent to 0.33 per cent during this period. Expenditure on technical education forms additionally 0.11 per cent in 2005–06. In terms of size, India's is one of the largest networks of higher education systems in the developing world.

The higher education system in India, which begins after the completion of 12 years of schooling, normally includes three years of first-degree (4–5 years in case of professional education) and two years of second-degree studies (three years in case of some areas of professional education). Studies for research degrees take further 2–4 years. Institutions of higher education include central universities managed and funded by the Union (central) Government, state universities managed and funded by state (provincial) governments, institutions deemed to be universities, institutions of national importance, undergraduate and postgraduate colleges (constituent and affiliating), etc., in addition to several research institutions. Some

TABLE 7.1: Growth of Higher Educational Institutions

Year	*Colleges for*			*Universities***	*Enrolment (million)*
	General education	*Professional education**	*All*		
1947–48	—	—	516	20	0.2
1950–51	370	208	578	28	0.2
1960–61	967	852	1,819	45	0.6
1970–71	2,285	992	3,277	93	2.0
1980–81	3,421	1,156	4,577	123	2.8
1990–91	4,862	1,765	6,627	184	4.4
2000–01	7,929	2,223	10,152	254	8.6
2005–06	11,458	9,650	21,108	511	15.6

Notes: — Not available.
* Includes engineering, technology, architecture, medical, law, education colleges, etc.
** Includes deemed universities and institutions of national importance.

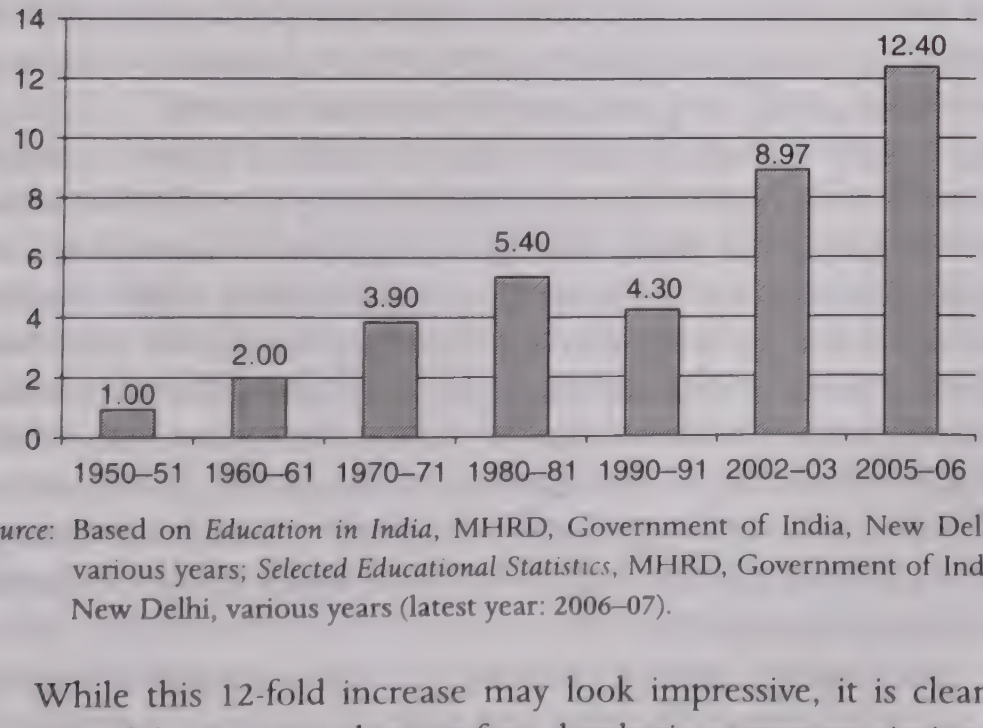
Source: *Selected Educational Statistics*, MHRD, Government of India, New Delhi, various years (latest year: 2006–07); *Annual Report*, UGC, New Delhi, various years (latest year: 2005–06).

institutions offer general education, some professional and technical education, and some both. It has also been a system with a high degree of diversity, catering to the needs of the different sections of society, in terms of the social and cultural needs. There are colleges exclusively for women and some mainly to meet the needs of the minorities and socially backward castes (Scheduled Castes and Scheduled Tribes) of the population. While private universities are just emerging, private institutions at the college level are large in numbers, and include a small proportion of colleges financially supported by the State and many colleges that rather exclusively rely on student fees—called the self-financing colleges. There are some autonomous colleges too under both public and private management. The system is also characterised by the presence of some high-quality institutions, such as the IITs, IIMs, Indian Institute of Science (IISc), All India Institute of Medical Sciences (AIIMS), several central universities and special universities like agricultural and technological universities, in addition to quite a few centres of excellence in central/state universities.

The quantitative growth itself is noteworthy for a newly independent and developing country like India. The quantitative explosion helped the nation in building the third largest reservoir of scientific and technical manpower, in transforming a highly elitist higher education system into a fairly democratised one, with a reasonable proportion of students being women and also a good proportion of them coming from the socio-economically weaker strata of society, in ensuring self-reliance in manpower needs of the nation, and contribute to development in the social, economic, technological and political spheres.

However, the 16 million students in higher education constitute just 12 per cent of the relevant age-group population. This ratio, familiarly called the gross enrolment ratio, did increase from about 1 per cent at the inception of planning in the country, that is, in 1950–51, to about 12 per cent in 2005–06—a twelve-fold increase in 55 years of development planning.

FIGURE 7.1: Progress in Gross Enrolment Ratio in Higher Education (%)



Source: Based on *Education in India*, MHRD, Government of India, New Delhi, various years; *Selected Educational Statistics*, MHRD, Government of India, New Delhi, various years (latest year: 2006–07).

While this 12-fold increase may look impressive, it is clearly recognised that it is not adequate for a developing economy aiming at a sustainable high rate of economic growth, to meet the challenges of globalisation and increasing degree of international competition, reap the gains from globalisation, realise the vision to become an advanced country by 2020, and build an equitable, humane society and a knowledge society of the twenty-first century. The need to expand the system of higher education in terms of quantity, quality and equity, and ensure sustainable development and, more importantly, inclusive development is, thus, widely recognised.[3]

Financing of Higher Education

Despite the emergence of many institutions of higher education, higher education in India is in a deepening financial crisis, with escalating costs and increasing needs of the system on the one hand, and shrinking public budgetary resources and changing public policies on the other.[4] No doubt, huge public investments have been made in higher education in independent India, but the impressive growth in investments in nominal prices is, however, more than offset by an increase in prices and increase in population, more particularly student numbers in higher education. On the whole, the trends suggest that higher education had a good start during the 1950s (with real growth of 7.5 per cent per annum), had its golden days during the 1960s, with the real expenditure increasing at an annual rate of growth of 11 per cent. However, it suffered significantly during the 1970s, with the rate of growth coming down to a meagre 3.4 per cent, but showing some tendencies to recover during the 1980s. Though the growth in expenditure on higher education has been erratic during the 1980s, it increased on the whole at a rate of growth of 7.3 per cent per annum. The 1990s heralded an era of austerity and higher education suffered the most. With the introduction of economic reforms at the beginning of the decade, the allocation of budgetary resources to higher education indeed experienced a negative rate of growth (Tilak 2005). Though there are some minor changes, the overall trends seem to continue in the present decade as well.

The relative priority accorded to higher education can be measured in terms of the share of higher education in GNP. Starting from a very low figure of 0.19 per cent of GNP in 1950–51, public investment in higher education increased five-fold by 1980–81, but it constituted hardly 1 per cent of the GNP after three decades of development. Ever since, the priority given to higher education in the allocation of government budgetary resources has been steadily coming down—it had declined to below 0.4 per cent by 2005–06, while many developed countries invest about 1–2.5 per cent of their respective GNP in higher education (OECD 2004).

India has adopted Five Year Plans as an important development strategy since 1950. The Five Year Plans set new directions for development—quantitative expansion, improvement in quality as well as several other dimensions of education development. Within the total Five Year Plan expenditure on education, too, the share of higher education moved in a similar fashion. The share of higher education in the total education expenditure doubled from 9 per cent in the First Five Year Plan (1951–56) to 18 per cent in the Second Five Year Plan (1956–61), and increased to an all-time peak of 25 per cent in the Fourth Five Year Plan (1969–74), and since then, it has been consistently declining. The share of higher education in the total education expenditure in the Tenth Five Year Plan (2002–07) was estimated to be a meagre 6 per cent, the lowest proportion in the last half century. In the Eleventh Five Year Plan (2007–12), however, significant increases have been proposed in the allocation to higher education. Thus, during the first four Five Year Plans, increasing priority was given to higher education, while in the later periods, higher education was paid scant attention in terms of allocation of plan resources. This is also reflected in the share of higher education in the total (five year) plan expenditure, which increased from 0.71 per cent in the First Five Year Plan to 1.24 per cent in the Fourth. But ever since, it has declined continuously, reaching 0.53 per cent in the Seventh Five Year Plan (1986–90), coming further down to 0.35 per cent in the Eighth Five Year Plan (1992–97) and declined even further in the Ninth and Tenth Five Year Plans. The decline in public expenditure is more clearly marked in terms of real expenditure per student, which declined by nearly 30 per cent points between 1990–91 and 2003–04.

The overall decline in public expenditure on higher education is attributed to (a) a decline in the resource capacity of the government, (b) the neo-liberal policies introduced at the beginning of the 1990s and (c) a strong but wrong assumption that higher education does not matter for development (Tilak 2003).

The two major sources of finances for higher education in India are: (a) the government sector (Union and state governments) and (b) the non-governmental sector (students/parents or families, in the form of fees and other maintenance expenditure, and the rest of the community at large, in the form of donations, endowments, etc.). The relative shares of the various sources in expenditure on higher education in India have changed considerably over the years. The share of the government has increased and, correspondingly, that of every other source, namely students' fees, community contributions and other internal sources, declined steeply, though in absolute terms there has been a significant increase in the contribution of these sources as well. The share of the government (central and state) increased from 49 per cent in 1950–51 to 76 per cent in 1986–87, the latest year for which such detailed data are available. And the share of the non-governmental sector declined significantly. Students' contributions in the form of fees, which used to form more than one-third of the total until the beginning of the 1960s, declined to less than half of what it was in 1950–51. The share of 'other' sources (including voluntary donations, endowments, etc.) also declined, though the decline here is not as sharp as the decline in the share of the fees.

The description given above refers to the trends of the sources of higher education funding until the mid-1980s. It is widely noted that the trends have changed dramatically since the beginning of the 1990s, though systematic data at the national level are not available. Government contributions have declined and the share of fees has increased at a very high rate of growth. For example, in a good number of universities, the revenues from student fees accounted for above 40 per cent of the total expenditure of the universities (Tilak and Rani 2000). The changes in the trends are owed to the new approaches adopted, which stress not only on the reduction in public expenditure, but also on an increase in cost recovery mechanisms.

The two national-level committees constituted by the Government of India (UGC 1993; AICTE 1994) on the mobilisation of resources in central universities and in technical education in 1993–94 recommended a variety of measures to mobilise non-governmental resources for higher education. The main recommendations of these committees referred to an increase in student fees, introduction (in fact, restructuring) of student loans, levy of special taxes like education cess and the raising of private donations and other contributions from the corporate sector, besides the establishment of private institutions. Of these several recommendations, those relating to student fees, student loans and the setting up of private institutions have received the serious attention of policymakers, planners and administrators, as the experience of the last two decades reveals (Tilak 2004c).

This chapter concentrates on student loans, though the three aspects are closely inter-related, mutually reinforcing each other—privatisation of education results in increase in student fees; increase in fee necessitates expansion of student loan programmes; availability of student loans results in further increases in fees; and further increases in fees strengthen the forces of privatisation. Even if growth in private education is not allowed, increases in fees and the launching of student loan programmes mutually contribute to its rapid growth.

Student Loans in India

The student loan programme has been one of the most prominent methods advocated as an effective solution to the problem of the financing of higher education in many countries. Further, in the overall context of growing budget constraints and, more importantly, given the new economic reforms policies introduced in India, loan financing has been argued as an effective and very desirable method of financing, and it is becoming slowly and steadily popular.

Student loans are advocated as a method of financing higher education somewhat convincingly, mainly because they have a strong appeal. They are viewed as an important method of cost-sharing and cost-shifting in higher education. Some of the arguments put forth in favour of student loans are: (a) Public financing of higher education through tax revenues is regressive and student loans are 'equitable' (if not most equitable), as they suggest that students 'borrow money when you cannot pay for higher education on your own, and repay when you can', that is, access to higher education is not restricted by the inability to pay. (b) Student loans are an 'efficient' mechanism of mobilisation of resources, as they have a huge potential of generating the badly needed financial resources from the 'direct beneficiaries' of higher education. (c) Governments can save huge public budgets on higher education and reallocate the same in favour of other sectors. (d) The other arguments made in this context are also generally the same as those made in the case of private financing, such as student loans, viewed as deferred fees, increase access to higher education as they are considered 'fairer' than student fees—the upfront fees. (e) They prevent wasteful expenditures as only the needy will take loans. (f) Student loans improve internal efficiency as students with loans would be 'diligent' and more serious with their studies and in employment market than those without a loan burden on their backs. Students also become cost-conscious and know how much the society invests in their education. Thus, the internal efficiency of higher education was expected to increase because of student loans.[5] All these are questionable assumptions. A brief comment on some of these arguments is made in the concluding section of this chapter.

Student loans as a method of financing of higher education is not new in India. India has had experience with two major types of student loan programmes—the National Loan Scholarship Scheme operated by the government, one which was originally introduced in 1963 but slowly disappeared by the beginning of the 1990s, and a new programme that has been operated by commercial banks since the beginning of the 1990s which was comprehensively modified in 2001.

The National Loan Scholarship Scheme[6]

A scheme of interest-free national loan scholarships was introduced in 1963 with a view to improve the access of the economically weaker sections to higher education without the government really bearing the total financial burden of higher education in the long run. It was originally anticipated that student loans would help set up a revolving fund in 5–10 years, and the scheme would become a self-funding one in due course of time. According to the scheme, loan scholarships were made available to students starting from the post-matriculation level to the completion of higher education. Loans were renewable on an annual basis. The value of the loan-scholarships ranged between Rs 720 per annum (for pre-university and undergraduate courses) and Rs 1,750 per annum for doctoral and post-second-degree education in professional courses such as medicine, engineering, technology, etc., depending upon the nature and type of higher education. The loans were awarded on the basis of both merit and the financial needs of the students. All those who secured marks of 50 per cent or above in qualifying examinations, whose parental income did not exceed Rs 25,000 per annum (in 1987–88; earlier it was Rs 6,000) and who did not receive any other public scholarships were eligible for the loan-scholarships. Parental income was not considered in case of postgraduate studies for which merit formed the sole criterion for the final selection among the eligible applicants.

The selected students were required to execute a bond with the government, to abide by the terms and conditions of the scheme and repay the loan. The bond was signed by the students and by their parents, who would stand surety for the students. The students were expected to repay the loan amount in easy monthly instalments, equal to one-tenth to one-sixth of the monthly income, subject to a minimum of Rs 25 per month. The repayment was expected to start one year after the scholar would begin to earn or three years after the termination of scholarship or studies, whichever was earlier. Generally, the loan amount was recoverable 8–10 years after the commencement of the loan award and full recovery of the loan would take around 10 years. There were certain rebates on repayment—concessions were given to particular categories of graduates, such as those who joined the teaching profession or armed forces; they were given a rebate of one-tenth of the loan amount for each year of service. Loans were written off in case of the death of the student.

Emigrants to foreign countries were expected to fully repay the loan amount. There were penalties for non-payment.

The scheme was funded by the Union Government, but administered through state governments. The loan scholarship was actually paid through higher education institutions. Recovery of loans was the responsibility of the Union Government; neither the state government nor the institutions were in the picture. But the recovered amounts were to be shared between the central and state governments. Every year, about 20,000 loan-scholarships were given, and their regional distribution was based on the distribution of population. In 1989–90, an amount of about Rs 32 million was spent on the same, compared to about Rs 13 million in 1963–64.

The experience with the scheme was not encouraging in terms of the expected gains. The most important problem faced with the scheme in India, as in most other developed and developing countries, related to non-repayment of the loans. About Rs 900 million was invested in all from 1963–64 until the beginning of the 1990s, but the rate of recovery ranged between 8 and 15 per cent between 1977–78 and 1990–91. In some of the states, the rates of recovery were below 1 per cent. This was considered the most serious problem of this scheme. Second, it met the needs of a very small fraction of students—just 20,000—and the number also remained unchanged, even though there was increasing demand for higher education and, specifically, for loan-scholarships. Third, as the amount of the loan-scholarship remained unchanged and the living costs increased, though tuition fees did not increase much, it could not meet the financial requirements of many of the students adequately. The total funds allocated to the scheme were also very small in comparison to the government expenditure on higher education. Essentially, though it was conceived as a loan-scholarship, graduates treated it as a scholarship—a non-repayable grant—and the government also treated it the same way and did not make special efforts to recover the loan amounts. With a zero rate of interest, the real value of money declined so fast that the government felt it too expensive to make any special efforts to recover the unrecovered amounts. As a scholarship, it was considered inferior to the normal scholarship scheme, and as a loan it was not considered a proper one either.

When the scheme was introduced, it was anticipated that student loans would help establish a revolving fund in 5–10 years so that the scheme would become self-financing in the long run and eventually higher education itself would become self-financing. It was also advocated for on the grounds that such a scheme would improve efficiency in the use of resources, prevent wasteful expenditure and students would become more serious in making educational and career choices. The experience shows that these were untenable expectations from the scheme.

Given some of the features and trends mentioned above and, more particularly, the low rates of recovery, the attention paid to the loan scheme slowly waned and it was to be virtually closed. Later attempts to revive and reform it in a significant way were not successful.

The New Educational Loan Scheme

One notes that even during the 1980s, some commercial banks and philanthropic trusts were, and still are, awarding scholarships and loans to students for a long time. A few banks were in action in the area of loans, but they were operating on their own, without any common set of considerations and criteria. Not all public-sector banks were offering the loans. Almost all loans needed security, the amounts were small, rates of interest were high and the number of students taking loans was negligible. A research study (Seetharamu 1997) on one such loan programme of a public sector bank, namely Canara Bank in Karnataka, revealed that the student loan programme was not popular among the students or general public; students borrowed essentially to meet tuition fees and those who borrowed these small amounts (below Rs 25,000) formed a small proportion of the total.

As the banks began operating in a haphazard way, the Supreme Court intervened. Following the Supreme Court judgement, the government entered the scene with a view to restructure the old programme or introduce a new comprehensive loan programme. Restructuring the old scheme was not found feasible, with the interests of the banks differing from those of the government or

Department of Education. Finally, the Government of India, in consultation with the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA), has framed a Comprehensive Educational Loan Scheme[7] in 2001, with an ostensible view to ensure that no deserving student is deprived of higher education for want of finances. Subsequently, almost all the public-sector banks were required to float student loans. Today, a good number of public sector and other banks in India have come up with diverse schemes of educational loans. The scheme was further revised in 2004–05.[8]

Most of the banks formulated the scheme with their own rules and regulations, under various names, but largely within the framework given by the RBI and IBA. The scheme slightly differs from bank to bank, but there are also several common features among the schemes operated by the public-sector banks. Some such salient features of the scheme, in general, can be noted as follows.

First, the scheme covers school and higher education in India and higher education abroad. It covers all types of courses, including professional courses.[9] Second, it is available to Indian nationals and the applicant should have secured admission in an Indian or recognised foreign educational institution. Third, the loan generally covers tuition fees, examination fees, library or laboratory fees, caution deposit, etc., hostel charges, purchase of books, computers, other equipment, instruments, uniforms, and other expenses required to complete the course, such as expenses on study tours, project work, thesis, etc., and also travel expenses for studies abroad. Fourth, the scheme envisages loans up to Rs 1 million (revised in 2007 from Rs 750,000) for studies in India and up to Rs 2 million (revised from Rs 1.5 million) for studies abroad.[10] Fifth, for loans up to Rs 400,000, no margin is to be charged and the rate of interest is also the lowest up to this slab, which is not to exceed the prime lending rates (PLR). For loans above Rs 400,000, the banks may charge slightly higher rates, generally not to exceed PLR plus 1 per cent. In the latter case, they insist on a margin as high as 10–25 per cent. Recently, interest rates have been deregulated by the RBI and banks are made free to decide on the interest rates. Sixth, the scheme requires students/ parents to provide security for all loans above Rs 700,000 (earlier it was Rs 400,000); security or collaterals are not necessarily insisted on for loans below this amount. The loans are to be repaid over a period of 5–7 years with a provision for a grace period of one year after the completion of studies or six months after getting a job, whichever is earlier.[11]

Many private-sector banks have formulated their own conditions. Some offer higher or lower amounts, charge different rates of interest and have varying conditions of repayment, need security and broadly restrict the loans only to professional education. Many public and private sector banks also insist that the parents of the student have a regular source of income. The quantum of loans, thus, depends upon the costs of education and repaying capacity of the students/parents.

Some of the general features and other conditions of the present educational loan schemes in India operated by pubic and private sector banks are summarised in Table 7.2. There are substantial variations between several banks in terms of rates of interest, margin charged and other aspects. Hence, the details in the table are only illustrative.

To make the loans even more attractive, income tax rebates are also offered from 1995–96 on the amounts of repayment of an education loan. Interest on loans taken by individuals for higher education to the extent it is paid is deductible.[12] Only loans taken for full-time studies in any graduate or postgraduate, professional, and pure and applied science course in higher education are eligible for deduction. The deduction is available for a maximum of eight years starting from the day the graduate starts repaying.

In the framework of loan operations of public-sector banks, education has been identified as a priority sector along with 13 other sectors. Between 1990–91 and 2005–06, there has been a steady increase in the number of student loans provided by public-sector banks from 70,000 to 641,000.[13] The total amount of student loans (outstanding in 2006) amounted to Rs 108,000 million (estimated as Rs 120,000 million in 2007). There is indeed a boom in the educational loan business.

The growth of the scheme has been rapid in the recent years. It is not only because more students are willing to take loans, but also because from the supply side, the banks find it a very attractive

TABLE 7.2: General Eligibility and Other Conditions of Educational Loans

Fields of study	School education, higher general and higher professional
Place of study	India and abroad
Eligibility	
Nationality	Indian
Qualifying examination	Pass: second/first division
Admission	Admission in a recognised institution
Age group	16–28 years
Loan amount (maximum)	
Domestic	Up to Rs 1 million
Foreign	Up to Rs 2 million
Actual loan amount	Related to parental income and costs of education
Coverage of the loan amount	Tuition fee, hostel/mess charges, other fees, purchase of books, computer, travel abroad, etc.
Collateral/guarantee	Nil for loans up to a limit; above the limit: third-party guarantee (parental) Good employment prospects of the degree
Processing fee	Rs 0–1,500
Rate of interest	
Up to Rs 400,000	Equal to primary lending rate (≈ 12–13.5%)
Above Rs 400,000	Primary lending rate + 1% (13–16.5%)
Margin	0–15%
Repayment period	3–7 years
Grace period	Nil (repayment to commence immediately after the disbursal of loan)—3 months/1 year after completion of studies

Source: Based on schemes operated by several banks listed at www.hindustanlink.com/careertex/educational-loans-india.htm, http://www.education.nic.in/TechnicalEdu/eduloan.asp and individual sites of some of the banks (accessed May 2007).

business. Educational loans are seen as an excellent new area for growth. The banks could see students as potential customers to be tapped for future business by starting to build a strong customer relationship with the people from a very early stage. In this sense, it is a long-term investment for the banks that might pay very rich dividends. Probably for the same reason, more and more new banks are entering into the business of education loans. The mushrooming of private colleges has also helped the rapid growth. While the UGC lists 26 banks which are operating the educational loan scheme, one of the recent websites lists as many as 33 public sector and private banks offering student loans.[14] Neither of these is an exhaustive list. It is to be noted that almost every prominent bank has an educational loan portfolio. Many banks are competing with each other to aggressively market educational loans; they also organise educational loan *mela*s (fairs) and educational loan awareness campaigns, as this is viewed as having vast untapped potential.

Though educational loans are considered one of the priority sectors for loan operations by the banks, and the annual increase during the past few years seems to be substantial; in terms of absolute numbers and growth rates, the relative importance they received has not been high. Amounts outstanding on educational loans account for 1.5 per cent of total advances given by the banks in 2008 and 3 per cent of the advances given to all 'priority' sectors. Further, the amounts of hundreds of millions of rupees involved still form a very small fraction of the overall retail loans (home, car and other personal loans) disbursed by the banks. The average size of about 70 per cent of the educational loans was up to Rs 400,000 and many of them were given, according to the Indian Banks' Association, without security.

A detailed database on the loan programmes, operated by several banks, is not available at the national or state level to examine the efficacy of the loans. Except for some opinion surveys and micro-level studies conducted by the media, we hardly find any strong research-based analysis of the impact of the loan programme on the growth of higher education in India. Particularly important questions in this regard that one should probe into continue to remain unanswered—who gets the loans, that is, what is the

TABLE 7.3: Growth in Educational Loans in India, 1990–91 to 2005–06 (Provided by Public Sector Banks)

Year (as on March)	*Loan accounts*		*Amount outstanding*	
	No. ('000s)	*Annual growth (%)*	*Rs in 10 million*	*Annual growth (%)*
1990–91	70	–2.78	77	14.93
1991–92	69	–1.43	106	37.66
1992–93	66	–4.35	117	10.38
1993–94	66	0.00	132	12.82
1994–95	70	6.06	158	19.70
1995–96	74	5.71	183	15.82
1996–97	114	54.05	280	53.01
1997–98	82	–28.07	329	17.50
1998–99	137	67.07	450	36.78
1999–2000	80	–41.61	543	20.67
2000–01	112	40.00	543	0.00
2001–02	157	40.18	1,028	89.32
2202–03	239	52.23	2,870	179.18
2003–04	347	45.19	4,179	45.61
2004–05	470	35.45	6,398	53.10
2005–06	641	36.38	10,804	68.87
2006–07	1,002	56.31	14,012	29.69
2007–08	1,298	29.54	19,844	41.62
Average rate of growth (%)		21.66		41.48

Source: *Economic Survey*, Ministry of Finance, Government of India, New Delhi, various years (latest year: 2008–09).

socio-economic and educational background of the students who take loans? What are the collateral and repayment conditions? What is the rate of recovery/repayment, besides questions on methods of recovery and other conditions and procedures adopted? How is it influencing the growth of higher education in terms of demand from various socio-economic strata of the society and on demand for various disciplines of study? Does it have any effect on the quality of education or on the growth of particular disciplines of study? Lastly, how does the loan programme effect government expenditure on higher education?

Based on the available scattered information, micro-level studies, research reports, and news analysis and reports, and the nature, scope and conditions of loan schemes of various banks, a few observations may be made on the efficacy of the new loan programme to answer some of these questions.

First, the education loan programme is still not very popular, as the number of students taking loans for education suggest. In 2007–08, additionally, 296,000 students seem to have taken loans.[15] The total loan accounts in 2007–08 were 1,298,000. Assuming that a student has no more than one loan account, it can be noted that hardly 8 per cent of the students currently enrolled in higher education have taken loans.[16] However, the total loan amounts seem to be sizeable. The size of the total outstanding loan amounts in 2007–08 was larger than the total government expenditure on higher education in the country in 2007–08, which was of the order of Rs 114,000 million (budget estimate). Or subject to the qualification mentioned in endnote 12, one can note that the loan amounts reimbursed additionally in 2007–08 alone are at least equivalent to 50 per cent of the total government expenditure on education in the same year.

Second and quite importantly, economic backwardness does not seem to be an important criterion for banks when granting loans. With collateral[17] and similar conditions attached, the wealthier sections of society that might not actually need loans benefit from them, and the loans might not necessarily be used for educational purposes. The open eligibility may lead to abuse of the scheme. There is no income ceiling on students to be eligible to apply for loans. In case of all the banks, the loan amounts are subject to the repaying capacity of the parents/students. Some banks clearly insist on documentation that provides satisfactory details on the student's economic capacity to repay the loans. For example, State Bank of India (SBI) requires that students submit a statement of bank-account for the past six months, an income tax assessment order not more than two years old and a brief statement of assets and liabilities of the borrower (and the co-borrower, usually the parents/guardians). According to another public-sector bank (Punjab National Bank), the parents/guardian should have a regular source of income to the extent that they are able to repay the loan in case of need or unforeseen circumstances. Generally, many banks provide loans up to a maximum amount of six times the monthly income of the parents. So the higher the parental income, higher is the loan amount the students get. Given these and other conditions regarding collateral security, etc., a majority of the students taking loans could be from relatively better-off sections of the society.

The scheme is, thus, not equity-oriented. Economically and socially backward sections do not receive any preferential treatment. Very few banks offer concessions—to weaker sections, for example, lower percentage of marks as an eligibility condition for the socially backward castes or tribes, if at all the percentage of marks is made a condition for general-category students—to the weaker sections. There are no provisions for lower rates of interest for the socially or economically weaker sections of society. Very few banks offer a lower rate of interest (1 per cent below the normal) for women students. In fact, loans may have a very serious negative effect on the demand for the education of women. It is widely held that student loans would work as a 'negative dowry' and, accordingly, will have serious adverse effects on the enrolment of girls in higher education, not only in the United Kingdom (Robbins Committee 1963: 211), but also in countries like India, where dowry is an important social phenomenon, and also in those contexts where it is not, but husbandal obligations are an accepted phenomenon. Thus, student loans could be a deterrent to women's access to higher education.

Even in general, the present scheme does not have any provision for waivers and exemptions in deserving cases, either to promote, say, for example, bright graduates to join academic profession or the armed forces, unlike in the earlier scheme. There are no special provisions of any kind to encourage graduates to seek employment in the public sector, or even to stay within the country rather than emigrating to developed countries. Further, it does not provide for exemptions in case of either unemployment or even death of the graduates. Contrary to the increasing practice of linking loans to the earning levels in many countries, the Indian loan programme is rigid, requiring the graduates to repay fixed amounts, irrespective of the earning levels of the graduates. Compared to the normal average annual earnings of the graduates, the amount of monthly or annual repayment, when it is to be made within 5–7 years, might be prohibitively high.[18]

Since the loans are large in amounts, students obviously would like to choose study programmes in those areas that offer higher probability of employment and higher earnings, thus pushing down the demand for genuinely important scholarly disciplines of study, such as the social sciences, basic natural or physical sciences and even medicine, engineering and technology. In fact, according to the conditions and regulations of the scheme, many banks also clearly favour students who would like to pursue studies in high-employment-oriented disciplines, such as information in communications technology (ICT), hotel management and fashion technology. The loans also encourage students to opt for shorter duration programmes, as the longer the study period, the higher would be the amount of the loan, and higher the amount of interest.

The loan scheme in India, like in other countries, assumes that strong links exist between education, employment and earnings. When education does not guarantee employment, and as repayment of loans becomes compulsory, people from relatively poorer sections are worst affected. Also, the very nature of loans assumes the ability to repay, which would be inversely related with economic well-being. Hence, loans may adversely affect equity in and access to education, in addition to producing no significant net savings (Tilak 1999a).

The scheme also does not insist on good academic performance of the students to be eligible for the loan. Anyone who passes the qualifying examination and obtains admission in any recognised institution is eligible for loans under the scheme. In a sense, the scheme is not even merit-oriented, though a few banks insist on first division in the qualifying examination of the student applicants. On the whole, business considerations seem to dominate the considerations to promote merit.

Looking at the way the scheme is being operated by many banks with aggressive marketing techniques, one may like to conclude that the new scheme ignores the human-capital feature of education, and treats educational loans as any other loan, such as loans for physical capital. Banks are primarily interested in doing business rather than promoting access of the weaker sections to higher education or promoting merit in general.

Since loans are of large amounts and the rates of interest are also high, the loan burden could be high. The psychological burden of big loans have on the youth could be very damaging. Concerns about increased levels of student indebtedness have both psychological and socio-economic dimensions. Huge loan burdens on the youth may not necessarily make the students diligent and serious with studies, but instead, they may in fact contribute to the growth of some avoidable social problems, including mental stress and suicide. The psychological factors associated with student loans cannot be undermined. The risk and uncertainty associated with higher education would make people psychologically repulsive to loans for higher education and even make them susceptible to crime, suicide, etc.

To sum up, according to the reformulated scheme of educational loans, since commercial banks operate them, the loan schemes are operated on commercial lines, caring neither for the educational background of the students nor for their economic background. They are merely known as education loans, but are almost like any other loans, such as car or housing loans, as far as banks are concerned. They have very few features that are associated with the student loan programmes operated in other countries, or with the National Loan Scholarship Programme that was operated in India earlier in terms of conditions of repayment, rates of interest, period of repayment, grace period and exemptions. Specifically, economic backwardness does not form a criterion for banks in granting loans. With collateral and similar conditions attached, the access to loans is severely restricted and the weaker sections of society may not be able to benefit much from the loan scheme as it is being currently operated. The scheme seems to be promoting neither merit nor equity in the system. Yet, it is increasingly becoming popular among the students—mostly among those belonging to the middle- and high-economic strata—and it is becoming a roaring business for the banks. If one has the repaying capacity, the banks offer loans for anything and everything—so there is nothing special with regard to education on the part of the banks.

The Old and the New: A Comparison of the Two Schemes

In terms of their basic considerations and various parameters, the National Loan Scholarship Scheme of the yesteryears may seem to be much better structured, with better motives of educational development of the weaker sections of society, than the present bank-operated scheme of educational loans. The comparisons between the two, presented in Table 7.4, are quite revealing. The old scheme, though relatively small in size, was more oriented to the needs of the students than the new one, which is not only responding to the increasing demand but also actually generating demand for loans, with banks and also the government adopting aggressive marketing strategies.

TABLE 7.4: The Old and the New Schemes of Student Loans in India

	National Loan Scholarship Scheme	*Educational Loan Scheme*
Managed by	Government	Commercial banks
Fields of study	Post-matriculation	School and higher education
Number	Fixed (20,000)	Not fixed (increasing)
Regional distribution	Population based equitable distribution	No such principle
Place of study	India	India and abroad
Eligibility		
Nationality	Indian	Indian
Qualifying examination	Pass (with merit)	Pass

(contd)

Table 7.4 (contd)

	National Loan Scholarship Scheme	*Educational Loan Scheme*
Parental income	Ceiling on parental income (merit cum means)	No ceiling (open eligibility)
Loan amount		
Domestic	Rs 720–1,750 per annum	Rs 1 million for the course of study (maximum)
Foreign	—	Rs 2 million for the course of study (maximum)
Coverage	To meet living costs	To meet fees and living costs
Collateral/guarantee	Bond by the parents	Yes, varied types of security/guarantee
Rate of interest	Zero	High (equal to the market rates)
Repayment period	8–10 years	3–6/7 years
Amount of repayment	Related to income	Not related to income
Grace period	Study period + one year after employment or three years after completion of studies or termination of scholarship (whichever is earlier)	Varies from 0–6 months/one year
Rebates	No income tax rebates	Income tax rebates on repayment
Exemptions/write-offs	Graduates joining teaching profession and armed services; Also in case of death	No exemptions

(contd)

Table 7.4 (contd)

	National Loan Scholarship Scheme	*Educational Loan Scheme*
Rate of recovery	Poor	Likely to be high (but defaults are also becoming a matter of serious concern)
Principles of operation	Service	Market principles (to promote banking business)
Main purpose	To improve access to higher education for the weaker sections	To reduce public subsidy to higher education

Source: Constructed by the author.

The new scheme is, in fact, very stringent in its conditions and seems more in favour of the lending institutions. The old one was associated with non-recovery of loans, while the new one seems to alleviate this problem to a great extent, though some concerns have been expressed in the recent months on the increasing number of defaults. The former aimed at promoting equity and also merit in education; the latter ignores both and is skewed in favour of the advantaged groups of the population. The former one charged no rate of interest; the present ones charge high rates of interest, often equal to normal market rates. The present one looks at the whole issue of student loans as a banking activity, a business activity, while the former scheme was a government scheme, run with welfare as one of the motives. The government also looks at the present one as an instrument to reduce government subsidy to higher education and reduce its role relating to social responsibility. While the former was considered a supplement to scholarships and general public subsidy to higher education, the present one is considered a substitute to scholarships and even to public subsidisation of higher education in the long run. These explicit and implicit considerations make a lot of difference. If recovery of loans is taken as a measure of efficiency of a scheme, the later one fares better,[19] but that cannot be an important consideration in case of educational loans.

In fact, some argue that if transparency is improved in public financing of higher education, and there is a wider dissemination of knowledge of the costs of higher education, the costs met by the government or the level of direct and indirect subsidy that students receive, etc., this would automatically improve the commitment of the graduates to pay back to the society (in the form of taxes and service), and, hence, there would be no need for a direct cost recovery mechanism like student loans. Very few seem to believe any more in such a moral persuasive measure. Instead, it seems the pests are here to stay. If educational loans were to continue, it is important that some of the valuable attributes of the National Loan Scholarship Scheme be built into the present scheme of educational loan, such as consideration for equity, exemptions/write-offs, methods of repayment and the very principle of educational service and human welfare, rather than relying mostly, if not solely, on market principles and considerations. For the student and or their parents, the most important consideration regarding the educational loan is obviously the cost of the loan and its terms and conditions. It has to be noted that loans involve both higher perceived and higher actual personal costs than other methods of funding, like grants (Colclough 1993), which would affect the demand for education, particularly of the poor families as students from lower socio-economic backgrounds would be reluctant to saddle themselves with a debt burden, thus entrenching further the inequalities in access to education.[20] Hence, the conditions of the loan and of its repayment need to be liberalised from the point of view of the students/parents from the economically weaker sections of society. For example, like the income-contingent loans in other countries (for example, Australia, New Zealand and the UK),[21] the amount of repayment has to be related to the earnings of the graduates. Government subsidisation of student loans as in Canada, the US and the UK is also necessary. But many feel that the currently operated student loan scheme cannot be modified to take into consideration the special needs of the weaker sections. The scheme is essentially formulated keeping in view the better-off sections of society (NIEPA 2001).

Instead, given the increasing concerns about defaults, the efforts in this context seem to be directed towards making conditions more stringent on the part of banks, as the suggestions made by a working group of the Indian Banks' Association has recently suggested. Obviously, the banks, which are bereft of any social responsibility, are interested to see the default rates minimised, with tough and tougher conditions and/or government promises to make up for the losses incurred by the banks. But it may have to be noted that debt aversion is common and the rates of recovery are far from satisfactory even in many advanced countries. The working group also has suggested the setting up of a Rs 2,500 million Credit Guarantee Fund to provide cushion to banks on loan defaults. One half of the corpus of this fund would be funded by the Central Government, while the other half could be shared by the banks and the borrower.[22] The group also recommended the mandatory insurance of the students/parents and a premium to be charged for the same. All this will increase the students' costs of borrowing for education. The best way of recovery is to link repayment to levels of earnings of the graduates, as done in many countries, and also to link it to the system of income tax collection, as in the case of Australia (Chapman 2006). One can also think of linking loans to the PAN (Permanent Account Number—a 10-digit alphanumeric number issued by the Government of India) card, so that recovery becomes easy. But this requires, however, ensuring that the loans are not restricted to income-tax payers alone.

The role of the government is important even in case of loans; loans cannot be left completely to the markets (or to the banks). After all, it is not the practice anywhere. But the government seems to be in favour of complete deregulation in this context and totally withdrawing from the designing and administering of the loans, leaving them to the whims and fancies of the markets altogether. Very specifically, experience from other countries also shows that government subsidisation of the loan programme is very much necessary. The role of the government is also important to ensure that expansion of the loan programmes do not fuel further rise in fees, and further growth in privatisation and accentuation of inequalities in higher education.

Summary and Concluding Observations

Student loan programmes are nowadays widely prevalent in many countries of the world and have already assumed the status of an industry on their own—the 'student loan industry'. Loan programmes have also been analytically and critically reviewed by many.[23] Some of the international reviews have highlighted both the strengths and weaknesses of these programmes. Largely based on Indian experience, one can make a few observations, many of which corroborate the findings of the international surveys.

The student loan programme is based on an inherently dangerous philosophy, on unrealistic assumptions, and it is being launched with very high ambitious expectations. The most important ambitious expectations of the governments with regard to student loan programmes are: (a) huge funds can be built up in a short time, with the repayments of loans by the graduates, (b) loans, along with fees, can help make higher education systems self-financing and (c) governments can eventually withdraw from financing higher education systems. Neither is it desirable nor feasible to realise these ambitious expectations.

The student loan programmes are also based on several unrealistic assumptions: (a) the demand for higher education will not get adversely affected, (b) the poor will have enough access to loans and, thereby, to higher education, (c) loan amounts can be fully recovered within a reasonable period, (d) strong links exist between education and employment in the labour markets and, above all, (e) well-developed education credit markets exist not only in advanced countries, but also in India and other developing countries, and those education credit markets are perfect. All these are untenable assumptions.

Student loan as a concept is inherently defective both from philosophical as well as practical points of view. Philosophically, loan and education do not go together, as banks do not distinguish between lending for education and lending for physical capital goods and services; and conceptually 'lending by the banks' and 'weaker sections' are also not compatible.

Student loans are based on the principles that the one who benefits from higher education must pay, and the education of those beneficiaries who have the ability to pay on their own or have the ability to take loans should not be financed by the State. While these principles have much circulation, particularly in market economies, their current application to higher education in terms of student loans is based on a very narrow view of the 'beneficiaries'. It is not only the students, but also their families, employers, the government and society at large that benefit immensely from higher education. The 'externalities' associated with higher education, including 'dynamic' externalities, are estimated to be huge.

Basically, student loans, which are regarded as a mechanism of deferred cost recovery, shift the responsibility of higher education from the social domain (State responsibility) to the household domain, and within households, from parents to the children—from the present to the future (Tilak 1999a). The philosophy of loans, thus, treats higher education as a highly individualised commodity, a responsibility of the student him/herself, as against its well-acknowledged pubic-good nature. Generally, the present generations make investments for the benefit of future generations. The philosophy of student loans is to let future generations invest for their own future. The present generation need not take any responsibility of the future! The whole attitude to education that would be developed as a result of this may be very harmful.

In short, student loan schemes can have very harmful effects on the development of higher education: (a) quantitatively, by reducing the demand for higher education, (b) equity-wise, by reducing the access of women and other weaker sections to higher education and (c) as far as nature and type of higher education are concerned, by affecting the growth of the humanities, social sciences, physical and natural sciences. It would also contribute to an increase in fee levels, making higher education more inaccessible. The availability of loan facilities also encourages institutions to further escalate the fee levels both in public and private institutions, and increased fee levels will necessitate more and more loans. Thus, the loans are both the cause and the effect of increase in fees, and both positively influence each other mutually in a cyclic fashion. They also promote private higher education within the country and as they provide fees and other expenses needed for education in foreign countries and also for travel; they promote the emigration of students to other countries.[24] Lastly, they strengthen the forces of commoditisation of higher education. The philosophy of student loans does not recognise the 'social', 'public' (or *quasi*-public) and 'merit' good nature of higher education. It treats higher education like any private good—so, education financing and, say, car financing are treated in the same way. The classical views that 'higher education is an indispensable intellectual social investment' (UNESCO 1998) and that it is an instrument of providing equality of opportunities are no more valid.

To conclude, the concept of student loans in higher education is inherently weak, as it does not recognise the basic characteristic features of higher education, its philosophy is dangerous for the society, the gains claimed are elusive, the assumptions behind the mechanism are unrealistic, and empirically, it is not necessarily a feasible solution to the problem of inadequate finances for higher education, nor is it an antidote to the regressive effects of steep increases in fees. It may indeed be a deterrent to the growth of higher education itself.

Without noting such inherent weaknesses, untenable assumptions and unrealistic expectations, many advocate student loan programmes as reliable and desirable methods of financing higher education. Often, the experiences of Australia, New Zealand, the UK and other developed countries are cited in this context as successful programmes worth emulating. One has to note that the international experience is relevant, but not relevant all the time for the developing countries. For example, many of these advanced countries have provided completely free higher education until very recently, their current enrolment ratios are comparatively very high, and the additional demand for higher education is small and it largely comes not from young, fresh school graduates and unemployed youth, but middle-aged, and upper-middle and upper classes, including women, who demand higher education for cultural reasons and for status, if not as a pass-time activity. In contrast, higher education has never been free in India; the current enrolment ratio is still very low; demand for higher education is essentially of young school leavers and unemployed youth; the demand is for economic development, if not economic survival, at the individual and societal levels; and a sizeable proportion of additional demand also consists of the demands of the social and economically weaker sections.

However, it appears that educational loans are here to stay. Given the experience of India and also that of other countries, it is important to note they cannot be viewed as an efficient solution to the problem of finances in the short, medium or even long term. Student loans would not be a perfect substitute for budgetary subsidy to help the poor but deserving students in higher education (Narayana 2005). At best, they can be used in a very limited way for limited purposes but not for the whole higher education system. They have to work at periphery as a supplement to government funding of higher education. The most desirable form of financing higher education, however, remains State financing out of tax and non-tax revenues. Grants to the institutions and scholarships/bursaries to students are more effective in promoting access and equity in higher education than any other method, such as fee waivers—full or partial—and loans. This is more the case in countries like India, where socio-economic inequalities are still marked. Further, a sound system of taxation can allow an efficient in-built mechanism of recovery of public investment made efficient in higher education involved in the system of student loans.

Endnotes

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[1] See Tilak (2008) for an account of the growth of higher education in India during the post-Independence period.

[2] The current (July 2009) exchange rate is: US$ 1 = Rs 48 (approximate).

[3] For an overview of the growth of higher education in India, see Tilak (2001, 2004b).

[4] See Tilak and Varghese (1991) and Tilak (1993, 2005 and 2008) for a discussion on the trends, issues and policies on the financing of higher education in India.

[5] See among many, Barr (1988, 2004), Woodhall (1989b, 2006), World Bank (1994), Mingat, Tan and Hoque (1985), Tilak (1997, 2004a), Johnstone (2006) and many other papers in GUNI (2006).

[6] See Tilak (1992) for an elaborate review of this scheme.

[7] See NIEPA (2001) for a discussion on the model draft prepared by the IBA in 2001.

[8] See the 'Revised Model Educational Loan Scheme: IBA', available at http://www.iba.org.in/educational_loan.asp.

[9] But it is mostly availed for higher education only.

[10] The upward revisions in the loan amounts and deregulation of interest rates were made in 2007.

[11] Some banks require the repayment to commence immediately after the disbursal of loan, even when the students are still studying, and the repayment is to be made by the parents of the students. Further, some (State Bank of Hyderabad) require loans for school and general college education to be repaid within three years from the date of disbursal of loan, while for professional/technical education, the period is five years after completion of the studies.

[12] Repayment of an education loan is made deductible under Section 80E of the Income Tax Act. The yearly limit for deduction was Rs 40,000 (for both the principal and the interest) in 2005. Earlier, it was limited to Rs 25,000.

[13] The number of loan accounts may not necessarily be exactly the same as the number of students taking loans, as some students might take more than one loan (at a point of time, or at different times) for their studies, as there seems to be no restriction of such a kind. Similarly, from the amount outstanding in each year, we may not able be to calculate the exact additional loan payments made in a year in the absence of detailed data on loan amounts recovered. Hence, the figures in Table 7.3 can help make only some broad general statements on the growth of loans.

[14] See http://www.ugc.ac.in/inside/eduloan.html and www.hindustanlink.com/careertex/educational-loans-india.htm.

[15] Based on the number of loan accounts in 2007–08 and 2006–07, given in Table 7.2. See endnote 12.

[16] Some of the students who have taken loans may be in school education as well. Hence, this may be an overestimate.

[17] Many banks insist on collateral security, often in the form of immovable property, equivalent to 100 per cent of the loan amount and sometimes even higher proportions.

[18] For example, let us assume that a graduate/postgraduate student earns on average in the public or private sector about Rs 20,000–25,000 per month, that is, Rs 240,000–300,000 per annum. If the graduate had taken a loan of Rs 500,000 repayable in five years, the graduate has to pay one-third to over 40 per cent of his/her annual earnings as an annual repayment. In fact, many graduates/postgraduates in general or professional education may indeed earn much below Rs 20,000 per month, in which case the share payable as repayment of the loan could be much higher.

[19] Tooley and West (1998) also seem to argue on the same lines, when they say that company loans alleviate the difficulties associated with government loans in education.

[20] See Overland (2001), who found that loans do not seem to help the poor in India.

[21] Income-contingent loans have been introduced only in six countries: Australia (1989), New Zealand (1991), South Africa (1994), the United Kingdom and Thailand (2006), and Israel (2008).

[22] For some details on the report, see Sen (2006). Further, this seems to be similar to the proposal made by the AICTE (1994) for the setting up of an Educational Development Bank of India (or Educational Finance Corporation of India) with a corpus fund to be contributed by the central and state governments and the private sector to float loans to students and also to institutions. See AICTE (1994) and also Tilak (1999b).

[23] See among many, Woodhall (1989a, 1992, 2002) and IIEP (1990–91, 2000–06); Albrecht and Ziderman (1993), Ziderman and Albrecht (1995) and Ziderman (2006). Tilak (1997) also briefly analysed some of the international experiences.

[24] The government, in fact, boasts of the numbers of students going abroad with the help of educational loans (*The Hindu* 2005).

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— eight —

FINANCING HIGHER TECHNICAL EDUCATION*

Investment in technical education makes a vital contribution to economic growth in terms of higher rates of growth of the economy's productivity. This is regarded as crucial to the development of developing countries and to their ability to compete in the global economy. Higher technical education is one of the most important components of human capital. It is, in fact, seen as 'specialised human capital'. The returns to such specialised human capital are estimated to be very high. Solow (1960) found that merely one-eighth of the growth in the US was due to an increase in the inputs of labour and capital, and a majority of the unexplained productivity was due to 'technical progress' attributable mostly to investment in technical education. Nations have 'no other field of investment that yields returns of this order' (Machlup 1962: 189).In addition to direct returns, the externalities, including the 'dynamic externalities' associated with investment in such specialised human capital, are immense in any society (Abramovitz 1989: 40–41; Birdsall 1988). As Schultz (1988) argued, increasing returns to total factor

*Reprinted from *Institutional Building: An International Perspective on Management Education* (1999), eds S. Misra and P. G. V. Chand, McGraw Hill, New Delhi, 101–31.

productivity were due to investment in specialised human capital formed through investment in higher technical and professional education, including science and technology; and this kind of human capital checks the general pattern of diminishing returns and even contributes to increasing returns (see also Jorgenson and Griliches 1967).

Recognising the potentially significant contribution of technical education, the Government of India has laid special emphasis on the development of technical education. As a result, during the post-Independence period, there has been a phenomenal expansion of technical education in the country, which is regarded as without parallel anywhere else in the world. As Adiseshiah (1994: 133) noted, 'the most spectacular achievement has been from an almost zero professional education base, to five technological institutes of high standard, and five top level institutions of management, 300 engineering colleges, 80 medical colleges, 26 agricultural universities, 15 regional engineering colleges, 980 engineering polytechnics and 122 agricultural polytechnics...' These do not include the vast network of about 320 science and technology institutions, of which 240 are the major ones. Specialised laboratories number 216. There are 900 industrial research and development laboratories in private and public sectors. All these are in addition to one of the biggest edifices in the world of the higher education system—more than 250 universities (including institutions deemed to be universities) and 8,200 colleges. All these institutions could contribute to a rapid accumulation of specialised human capital. Accordingly, India could produce the third largest reservoir of scientific and technical manpower in the world of nations with an estimated stock of about four million. The turnout of scientific and technical personnel from the vast higher education system is of the order of about 250,000 per annum. With such numbers, India has emerged as a significant figure on the world science and technology map, having fully institutionalised its science and technology capabilities. In fact, it

> is the only developing country which rates as fully institutionalised. It is a substantial exporter of locally designed industrial products through its own and other multinationals, it has excellent universities and replacing the third largest research community in the world, its

> contribution to the world stock of scientific information is impressive, and its capacity for learning by doing, institutional innovation, and other forms of local adaptation is proven. (Segal 1987: 16)

The economic returns to technical education in India are estimated to be fairly high. For example, in a growth-accounting exercise, Mathur (1987) estimated the contribution of 'technological change' to economic growth in India to be quite significant. Estimates of the rates of return (based on the Mincerian earnings function) to scientific and technical education varied between 17.4 per cent (undergraduate diploma) and 70.8 per cent (Ph.D. degree), as shown in Table 8.1. Similar high rates of return to scientific and technical education were also reported by Nalla-Gounden (1994). Despite the high returns associated with investment in technical education, the level and pattern of financing technical education in the country is far from satisfactory. The remainder of this chapter is devoted to a discussion on the problem of financing higher technical education in India. The next section briefly outlines the pattern of financing technical education and comments upon the low level of investment resources that flow into technical education. Following that is the core of this chapter, which is devoted to a discussion of the various policy measures for the mobilisation of resources for technical education. We end with a short summary in the final section.

TABLE 8.1: Rate of Return to Scientific and Technical Education (r) in India, 1981

Educational level	*r (%)*
Undergraduate diploma	16.3
Diploma equal to graduate	27.1
Graduate	35.3
Postgraduate diploma	61.7
Postgraduate degree	51.0
M.Phil	55.0
Ph.D.	71.0

Source: Malathy and Duraisamy (1993: 402).

Pattern of Financing Technical Education

Technical education is imparted in India at different levels, including (a) certificate and diploma, (b) degree and postgraduate and (c) research. It is also imparted in training and educational institutions and is funded by private and public sources, the public sources also being diverse, including the Department/Ministry of Education at the centre and the states, the UGC, Ministry of Labour, Department of Science and Technology (DST), etc. Because of the involvement of various actors, it is indeed difficult to estimate the total expenditure on technical education in the country. Some limited statistics are, however, available on (a) technical education as part of the activities of the Department of Education and (b) science and technology (or research and development)[1] activities of the Department of Science and Technology. These are discussed below.

Investment in 'Technical Education'

Departments of Education alone invested Rs 1,068 crores in technical education in 1993–94, of which the states met about two-third of the figure and the Central Government about one-third. The share of the Central Government declined after 1987–88, when it was about 50 per cent. But of the total expenditure on education, the share of technical education has been very small—a petty 4 per cent (Table 8.2)—giving an impression of the very low priority accorded to technical education by Departments of Education. It is only a little higher than the share of adult education, and not at all comparable to the allocations to other levels/types of education, such as elementary, secondary and higher education.

In the Five Year Plans, however, technical education seems to have received a somewhat better treatment (Table 8.3). The plan expenditure on technical education has increased by nearly 140 times, from Rs 20 crores in the First Five Year Plan to Rs 2,786 crores in the Eighth Five Year Plan (in current prices). But the relative share in the total Five Year Plan expenditure/outlay on education did not change much. It has increased from 13 per cent in the First Five Year Plan to 21 per cent in the Third Five Year Plan, and then declined steeply to 13 per cent in the Eighth Five Year Plan.

TABLE 8.2: Government Expenditure on Technical Education (Department/Ministry of Education, in Rs Million)

	Total expenditure in		*Shares of the*		*Percentage share in total expenditure on education*
	Current prices	*1980–81 prices*	*States (%)*	*Centre (%)*	
1980–81	1,369.5	1,369.5	63.8	36.2	4.06
1981–82	1,547.1	1,403.2	62.3	37.7	4.08
1982–83	1,916.9	1,609.5	61.0	39.0	4.03
1983–84	2,135.9	1,654.0	62.5	37.5	3.92
1984–85	2,617.3	1,886.2	61.3	38.7	4.07
1985–86	3,454.1	2,309.4	56.7	43.3	4.63
1986–87	3,771.7	2,359.4	59.5	40.5	4.46
1987–88	5,293.0	3,045.1	50.2	49.8	5.07
1988–89	5,771.5	3,070.1	51.1	48.9	4.65
1989–90	6,502.6	3,196.7	57.1	42.9	4.32
1990–91	7,530.1	3,338.8	59.1	40.9	4.38
1991–92	8,094.6	3,133.5	61.0	39.0	4.32
1992–93	9,338.9	3,316.5	63.4	36.6	4.37
1993–94	10,677.3	3,511.3	62.5	37.5	4.47

Source: Based on MHRD (1995).

TABLE 8.3: Allocations to Technical Education in the Five Year Plans

	Rs crores	*Percentage of allocation to total education sector*
First Five Year Plan	20	13
Second Five Year Plan	49	18
Third Five Year Plan	125	21
Plan Interregnum	81	25
Fourth Five Year Plan	106	13
Fifth Five Year Plan	107	12
Sixth Five Year Plan	324	11
Seventh Five Year Plan	1,083	12
Annual Plans	848	16
Eighth Five Year Plan*	2,786	13

Note: *Outlay

Source: Five Year Plan(s).

One expects the allocations to technical education to be closely related to allocations to other levels of education on the one hand (see Tilak 1995a), and the allocations to the industrial sector on the other. As the AICTE Committee[2] (1994: iv) argued, 'plan outlays for the technical education sector have to be related to outlays in the industrial sector'. Unfortunately, allocations to education, including to technical education, are made independent of allocations to industrial sectors. The dependency of the industrial sector on technical education is rarely taken into account.

Investment in Science and Technology

Some elaborate details are available on investment in science and technology. In 1993–94, India invested about Rs 5,600 crore in science and technology. This is indeed high compared to less than Rs 5 crores invested at the beginning of the plan era in the country, that is, in 1950–51 (Table 8.4). But this is very small in relation to the national income and population. While advanced countries such as

TABLE 8.4: Who Funds Science and Technology in India? (in Rs Crore)

	Government sector		*Private*	*Total*
	Central	*State*		
1950–51	4.7 (100.0)	..	..	4.7 (100)
1970–71	146.2 (84.3)	12.6 (7.3)	14.6 (8.4)	173.4 (100)
1975–76	323.7 (81.3)	31.9 (8.0)	42.4 (10.7)	398.0 (100)
1980–81	617.2 (75.9)	75.7 (9.3)	120.7 (14.8)	813.6 (100)
1985–86	1,752.0 (78.8)	219.9 (9.9)	251.9 (11.3)	2,223.9 (100)
1990–91	3,328.2 (79.5)	330.7 (7.9)	527.4 (12.6)	4,186.4 (100)
1992–93	4,243.9 (75.6)	596.0 (10.6)	771.8 (13.8)	5,611.7 (100)
Growth rates				
1950–51 to 1992–93	17.6	19.2*	17.7*	18.4

* refers to the period 1970–71 to 1992–93.

Note: Growth rates are annual compound growth rates (%).

Source: Based on Department of Science and Technology (various years).

Japan invested US$ 676 per capita, the Indian investment in science and technology works out to be US$ 2.27 per capita. Many advanced countries spend indeed a few hundred times the level of expenditure in India. Similarly, as a proportion of GNP, India invests less than 1 per cent (0.8 per cent), while quite a few countries invest 2–3 per cent of their GNP on science and technology (Table 8.5).

TABLE 8.5: Expenditure on R&D in Selected Countries

Country	*Year*	*Per capita* (in US$)	*Percentage share* in GNP
India	1994	2.35	0.8
Australia	1994	299.70	1.7
Canada	1995	306.12	1.6
South Korea	1994	220.49	2.8
UK	1993	358.32	2.2
France	1994	547.55	2.4
Germany	1993	—	2.4
US	1995	656.00	2.5
Japan	1994	1,065.15	2.9
Sweden	1993	724.66	3.4
Switzerland	1990	1,847.37	2.8

Source: UNESCO (1997).

The Union Government foots a large part of the bill on science and technology, its share being as high as 76 per cent in 1992–93, while the states met 11 per cent. The share of the private sector was a bare 14 per cent. In this sense, the role of the private sector has been marginal in investment in science and technology, while one expects the vast private industrial sector that enjoys sizeable incentives in terms of protection and other fiscal incentives to make reasonable levels of investment in science and technology. Further, we notice that the role of the private sector is confined to the three or four major areas, like development of health services, development of transport and communications and promotion of industrial development (Table 8.6). In contrast, the public

TABLE 8.6: Expenditure on R&D, by Sector and Area of Research, 1990–91 (%)

		Union	*Industry*		*State*	*Total*
		Government	*Public sector*	*Private sector*	*governments*	
(a)	Exploration of assessment of Earth, seas and atmosphere	88.2	0.0	0.9	10.9	100 (114.8)
(b)	Space	99.5	0.3	..	..	100 (388.1)
(c)	Development of agriculture forest and fishing	56.4	1.1	5.2	37.3	100 (806.2)
(d)	Promotion of industrial development	36.6	26.5	35.9	1.0	100 (686.3)
(e)	Production, conservation and distribution of energy	29.2	41.7	28.8	0.3	100 (191.8)
(f)	Development of transport and communication	40.9	21.1	37.6	0.4	100 (238.8)
(g)	Development of education services	99.1	..	..	0.9	100 (51.5)
(h)	Development of health services	55.1	3.7	38.4	2.8	100 (186.4)
(i)	Social development and other socio-economic services	97.1	60.3	1.0	1.3	100 (44.8)
(j)	Protection of environment	99.8	..	..	0.2	100 (182.3)
(k)	General advancement of knowledge	99.8	..	0.2	..	100 (464.0)
(l)	Other aims	51.3	..	27.7	21.0	100 (19.4)
(m)	Defence	85.8	14.2	..	..	100 (798.5)
	Total	69.1	10.6	12.3	8.0	100 (4,172.8)

Note: Figures in brackets are in Rs crores.

Source: Based on Department of Science and Technology (1992).

industrial sector concentrates on social development and other socio-economic services, production, conservation and distribution of energy. The priority area for the state governments was the development of agriculture, forestry and fishing. The Central Government assumes near-complete responsibility of investment in research and development in the development of education services, general advancement of knowledge and in the promotion of the environment, in addition to investment in space, exploration of the assessment of the earth, seas, atmosphere, and defence. From these investment priorities, it becomes clear that the industrial sector, particularly the private industrial sector, concentrates on those activities that yield quick profits, and ignores critical areas like education and knowledge that do not yield tangible quick returns.

The meagre social investments explain some of our deficiencies in technical education. The enrolments in higher education form only 5 per cent of the relevant age-group population, while in many advanced countries, the corresponding ratio is above 20 per cent. Enrolment in technical education in India forms only a small fraction of enrolments in higher education. The country is said to have a huge stock of science and technology manpower, consisting of scientists and engineers, the stock of the manpower that increased by 20 times in 40 years, that is, from 0.19 million in 1950 to 3.8 million within four decades by 1990. But the myth of the third largest stock of scientific and technical manpower in the world stands exploded if one carefully examines the quality of the manpower and their utilisation (Sethi 1983; Tilak 1992c).The stock is not so huge to match the requirements of the economy. For example, for every one million population, there are only 134 scientists/engineers in India, while in many other countries, the corresponding figure is 10–30 times higher. Thus, even though India is estimated to have the third largest stock of scientific and technical manpower, in relation to the size of the country and its manpower needs, it has one of the smallest stocks in the world (Table 8.7). The stock of manpower is also made of first graduates (Bachelors' degree holders) (in the sciences and engineering). Postgraduates (Masters degree holders) are few and doctorates fewer. This reflects the 'quality' of the science and technology manpower India has.

TABLE 8.7: Scientists and Engineers in Selected Countries (per One Million Population)

	Year	*No. of scientists and engineers*
India	1994	149
Brazil	1995	168
Korea	1994	2,636
UK	1993	2,417
France	1994	2,584
Australia	1994	3,166
Canada	1993	2,656
Germany	1993	2,843
USA	1993	3,732
Singapore	1995	2,728
Japan	1994	6,309
Russian Federation	1993	3,520
Sweden	1993	3,714

Source: UNESCO (1997).

Current Policy Issues in Financing Technical Education

The economic reforms policies introduced at the beginning of the 1990s, including stabilisation and structural adjustment policies, have put a serious strain on public resources for higher education, including higher technical education. The frozen and even declining public budgets for higher education necessitate a search for efficient methods of mobilisation of additional resources. In this context, the recommendations made by the AICTE Committee with reference to the financing of technical education have attracted the attention of the educational policymakers and planners. The government has already initiated some measures based on these recommendations. The main recommendations of the Committee relate to fees, loans, special taxes like the education cess, private donations, and other contributions from corporate sector, establishment of private and other special institutions and economy in expenditure. Some of these measures, along with a few other measures that are being presently talked about, are briefly discussed here.

Fees and Subsidies

Generally, it is felt that the levels of fees in higher education are very low and that there exists much scope for increase in fees and the rationalisation of the fee structure. This is more so in case of higher technical education. The AICTE Committee has recommended that at least 20 per cent of the recurring expenditure per student has to be generated through student fees. It is based on the evidence that at present, the tuition fee contributed only about 1–5 per cent of the recurring expenditure. While there is no sanctity about 20 per cent, generally, the need to rationalise the fee structure is increasingly felt.

First the evidence. In some institutions of higher technical education, particularly the IITs, the share of fees to total expenditure/income was estimated to be very small—2.5 per cent in IIT Delhi (Table 8.8). On average, in all the five IITs, the share of fees in the

TABLE 8.8: Sources of Income of IIT Delhi, 1993–94

	Total (in Rs million)	*%*
Total income	271.60	100.0
MHRD grant	234.80	86.5
Opening balance	2.65	1.0
Internal resources	34.10	12.6
of which		
tuition fee	2.87	1.1
admission fee	0.04	0.0
medical exam fee, etc.	0.17	0.1
examination fee	2.26	0.8
grade card fee	0.02	0.0
identity card fee	0.01	0.0
hostel rent	0.82	0.3
electricity charges	0.61	0.2
total from students	6.80	2.5

Source: IIT (1994).

total recurring expenditure came down from 6.9 per cent in 1968–69 to 1.2 per cent in 1984–85 (Table 8.9). But this need not be true in case of all institutions of technical education. Elaborate data on the system as a whole in the country suggest that as high as 24 per cent of the recurring expenditure of the institutions of engineering, technology and architecture (degree-standard level and above) was met by the students in the form of fees of all kinds, tuition fees alone accounting for 18 per cent. In case of institutions of business management, the corresponding proportion was 28.1 per cent (Table 8.10). So it may not be proper to generalise on the share of fees in total expenditure on technical education based on the evidence of a few institutions, particularly as the reforms suggested are not specific to those few institutions.

TABLE 8.9: Declining Share of Fees in the IITs

	1968–69		*1984–85*	
	Income from students in Rs lakhs	*Income from students as a percentage of recurring expenditure*	*Income from students in Rs lakhs*	*Income from students as a percentage of recurring expenditure*
Kharagpur	11.09	7.9	8.49	1.0
Bombay	8.65	6.5	9.27	0.9
Madras	8.77	7.8	18.02	2.1
Kanpur	8.93	6.3	9.23	1.0
Delhi	5.69	6.0	10.15	1.0
Total	43.13	6.9	55.16	1.2

Source: Jha (1994: 45).

Second, while suggesting any increase in fees, it is necessary to note the contribution of not merely tuition fees, but also all other kinds of fees charged by the institutions. Fees other than tuition and hostel fees accounted for 13.5 per cent of the recurring expenditure, that is, nearly as much as the tuition fees (13.9 per cent) in business management institutions. What are these 'other' fees? As an illustration, the various kinds of fee rates in IIT Delhi are given in Table 8.11.

TABLE 8.10: Income of Technical Education Institutions in India, 1985–86 (in Rs Million)

	Degree standard and above				*Below degree level*	
	Engineering, technology and architecture		*Business management*		*Engineering, technology and architecture*	
	Rs	*%*	*Rs*	*%*	*Rs*	*%*
Recurring						
Central Government	104.9	11.5	36.3	61.3	61.1	5.0
State government	458.3	50.2	1.6	2.7	941.2	76.8
UGC	13.5	1.5	—	0.0	0.7	0.1
Local bodies	22.0	2.4	1.3	2.2	6.6	0.5
Total government	598.7	65.6	39.2	66.2	1,009.7	82.4
Tuition fees	162.9	17.8	8.2	13.9	79.7	6.5
Hostel fees	17.4	1.9	0.4	0.7	9.2	0.8
Other fees	36.6	4.0	8.0	13.5	25.8	2.1
Total fees	216.9	23.8	16.6	28.1	114.8	9.4
University	43.9	4.8	0.5	0.9	0.1	0.0
Endowments, etc.	53.3	5.8	2.8	4.8	100.9	8.2
Total internal	97.2	10.6	3.4	5.7	101.0	8.2
Total	912.7	100.0	59.2	100.0	1,225.4	100.0
Non-recurring						
Central Government	75.4	37.6	13.9	43.4	11.6	6.4
State government	68.2	34.0	—	—	114.0	63.0
UGC	1.7	0.9	—	—	—	—
Local bodies	1.4	0.7	—	—	0.4	0.2
Total government	146.7	73.2	13.9	43.4	126.0	69.6
University	8.4	4.2	0.1	0.3	—	—
Other sources	45.4	22.6	18.1	56.3	55.1	30.4
Total internal	53.7	26.8	18.1	56.6	55.1	30.4
Total	200.4	100.0	32.1	100.0	181.1	100.0

Note: —Not available.

Source: Based on MHRD (1993).

TABLE 8.11: Fee Rates in IIT Delhi (Rs per Student)

	1993–94	*1994–95*
Tuition fee		
Undergraduate students		
1st and 2nd year students	1,000	1,000
3rd and 4th year students	200	200
Postgraduate students	1,500	1,500
Research scholars (1)	1,000	1,500
Research scholars (2)	2,000	1,500
Other fees		
Admission/registration fee	50	50
Medical examination fee, etc.	60	60
Examination fee	400	400
Grade card fee	10	10
Identity card fee	10	10
Hostel rent		
Undergraduate students		
1st and 2nd year students	250	500
3rd and 4th year students	100	100
Postgraduate students and research scholars	500	500
Electricity charges		
Undergraduate students	200	200
Postgraduate students and research scholars	300	300

Source: IIT Delhi (1994).

Third, it is also necessary to keep in mind the living conditions of the students and corresponding household expenditure on their education. For example, it was found that some households in Kerala spent as much as 42 per cent of their annual income on their children's engineering education. The ratio decreased to about 8 per cent for rich-income households (Salim 1992: 201). The socio-economic background of the students has to be taken into consideration, as a substantial increase in fees will push away students from poorer socio-economic backgrounds from technical education institutions. It is important to note that higher education, including higher technical education, is somewhat democratised, with a majority of students from weaker economic backgrounds entering these institutions because of the liberal subsidy policies (involving both direct and hidden subsidies) adopted by the welfare state. As shown in Table 8.12, 51 per cent of the students in the technology and engineering faculties in the M. S. University of Baroda were from families whose annual income was below Rs 30,000.[3] Similarly, more than half the students in engineering colleges in Kerala were from families whose annual income was less than Rs 40,000.

TABLE 8.12: Distribution of Students in Higher Technical Education, by Annual Family Income (%)

Family income	*Percentage of students*
M. S. University of Baroda, 1986–87	*Technology and engineering faculties*
Below Rs 30,000	51.0
Above Rs 30,000	49.0
University of Kerala, 1989–90	*Engineering colleges*
Below Rs 20,000	15.4
Rs 20,000–40,000	36.0
Rs 40,000–60,000	29.1
Above Rs 60,000	19.5

Source: Salim (1992: 199) and Shah (1994: 25).

Along with an increase in fees, many proponents suggest providing assistance to students belonging to the weaker strata of society in the form of loans and scholarships, to reduce the regressive effects of fees on demand for higher education of the weaker sections. The AICTE Committee also does the same. While the Committee makes no detailed reference to scholarships for inexplicable reasons, it does suggest freeships to the students. But the proportions proposed are rather insignificant—5 per cent freeships purely on the basis of merit, another 5 per cent half-freeships to the next level of meritorious students and full freeships to 5 per cent of the students on the basis of economic backwardness. These proportions (in fact, the relevant one is only the last category) seem to be extremely inadequate to promote equity in higher technical education to any significant extent.[4] Second, it is also important to note that normal scheme of scholarships and freeships is not adequate to ensure equity in education. Freeships and scholarships are awarded during the course of the study (and sometimes after the course is completed), that too with no certainty, while fees are to be paid at the time of admission itself. Third, the amount of scholarships meant for the weaker sections should be so fixed as to cover not only all the fees, but also a substantial part of the other costs of education of the students.

Loans: Educational Development Bank of India and State Educational Fund

The student loan programme has been one of the most prominent methods that is currently suggested as an effective solution to the problem of financing higher education. This is also advocated as an effective antidote to check the regressive effects of increase in fees (for example, World Bank 1994). At the same time, the poor performance of many countries with the student loan programmes is also well known. The AICTE Committee proposes an elaborate scheme of loans, which include loans to institutions and to students.

Loans to Institutions

The Committee has suggested that the Union Government set up the Educational Development Bank of India (EDBI), with an initial investment of about Rs 3,000 crores, of which the share of the state governments would total about Rs 1,000 crores, and the rest being met by the Central Government and international financing institutions. It was also suggested that industrial houses, and national and international organisations, may be required to contribute to the building up of the capital. The main purpose of the EDBI is to give soft loans to institutions of higher technical education for their establishment and development, including development of new programmes, modernisation of equipment and infrastructure. It has also been suggested that loans be given to the government, and private aided and unaided institutions as well.

Provision of loans to institutions is indeed a novel idea and is perhaps rarely practiced in any part of the world. The logic behind the proposal, however, is not clear. One kind of interpretation could be that it is similar to the loans offered to individuals to start their own firm or industry. But one has to necessarily make distinction between profit-making production units and non-profit-making educational institutions. The condition of repayment of loan (with or without interest) by the institution necessitates the institutions (both public and private) to treat the education institution as a commercial viable production unit and charge students a price (fees) higher than the recurring costs, and in this sense, the scheme explicitly allows profit-making in technical educational institutions. It legalises all questionable practices being adopted by some private institutions, like capitation fee colleges, and might accentuate the phenomenon of the vulgar commercialisation of technical education in the country. In this sense, the very basis of the scheme of loans to institutions becomes highly questionable. One might, in fact, prefer grants to loans in the case of government institutions, and government aid to loans in the case of private institutions. The very concept of loans to institutions is dangerous.

Student Loans

Along with loans to institutions, it was proposed that a national loan scholarships scheme be launched by a division of the EDBI to float loans to students at the national level through associate banks in all the states and union territories that assume the responsibility of disbursement and recovery of loans. The Committee has, in addition, suggested the setting up of the State Educational Fund at the state level to give assistance to needy students in the form of loan scholarships. The Committee has also suggested charging 'soft' rates of interest and recommended that repayment be responsive to earnings.[5] This method of repayment has generally been found to be more efficient in the other countries that have adopted income-contingent loans rather than mortgage-type loans.

The Supreme Court seems to have given a directive to the RBI to issue guidelines to nationalised banks to sanction loans to students—Rs15,000 to students who join technical education institutions on the merit quota and Rs 50,000 to students on the payment quota. Some nationalised banks have already started operating some kinds of student loan programmes and some have for quite some time.[6] For example, under its Gyan Jyoti Scheme, the State Bank of India (SBI) floats educational loans to students at the school, graduate, postgraduate and technical education levels. A minimum of first division for technical education and a minimum of second division for school and college education are the necessary conditions. The amount of the loan ranges from Rs 4,000 to Rs 30,000 for education in India and loans of up to Rs 400,000 for education abroad. Repayment of the loans taken for education in India must be made within 36 months, after the completion of the course or after the student gets employed, whichever is earlier, and the period of repayment in case of loans for education abroad is stepped up by a year. The rates of interest are governed by RBI directives for similar schemes—12.5 per cent per annum on loans up to Rs 25,000, 14 per cent on loans up to Rs 200,000 and 17.75 per cent on loans above Rs 200,000.

The Bank of Baroda offers loans up to Rs 100,000 for higher education in India and Rs 500,000 for higher education abroad. Repayment has to commence one year after the completion of the course or one month after the student starts earning, whichever is earlier, and has to be completed within a five-year period. The Vidyasagar Scheme of the Canara Bank has been in operation for long. It offers loans of varied amounts for higher education. It has a discriminatory interest-rate policy for poor and non-poor students. Poor students are charged an interest rate of only 4 per cent. Bank of India also floats loans to students under its Vidya Vardhini Scheme. It gives loans up to Rs 100,000 for engineering education, Rs 300,000 for medical education and Rs 500,000 for studies abroad. Some other banks also float loans of similar nature. All, however, have to comply with the directive of the RBI to give loans of Rs 15,000 and Rs 50,000 per student.

The effectiveness of these programmes is not known. Many banks have started such schemes only very recently. Though Canara Bank has started earlier, the details are not available. Particularly important questions in this regard that one should ask are: Who gets the loans, that is, what is the socio-economic and educational background of the students who take loans? What are the collateral and repayment conditions? What is the rate of recovery? Besides, questions on the methods of recovery and other conditions and procedures adopted also need to be probed. Specifically, economic backwardness does not seem to be an important criterion in securing loans. With collateral and similar conditions attached, the wealthier sections of the society that might not actually need loans might benefit from the loan schemes, and the loans might not necessarily be used for education purposes. This defeats the very purpose of the student loan programme.

A word of caution is, however, necessary on the level of optimism on the potential significance of student loans. The current optimism about loan programmes is unfounded; it is akin to the optimism that was prevalent in the early 1960s, when the National Loan Scheme was introduced (see Tilak 1992b). Now, given the experience of other developed and developing countries, apart from our own, the loan programme cannot be viewed as an efficient solution to the problem of finances in the short, medium or even long term (Tilak 1995b). Second, as few loans are given without collateral arrangements, they are not of much help to the weaker sections, who cannot provide any guarantee of repayment by mortgaging property or physical assets. Third, if loans are administered solely by banks, educational considerations might get replaced by commercial motives. Fourth, as we have already noted, schemes of loans to institutions will be counter-productive.

Measures for Financial Self-reliance

Nowadays, with declining or stagnant budgets for education, specifically for higher education, it is increasingly suggested that institutions of higher education become financially self-reliant by generating resources not only through increase in fees, but also through other measures such as augmentation of resources from the corporate sector in the form of donations and other similar contributions, by technical education institutions forging effective relationships with industry. The government has already promised incentives both to institutions and individual donors. The institutions that generate such resources are promised matching grants by the government, besides stating that such resources will not be taken into account in giving bulk/maintenance grants. The donors are offered fiscal incentives in income tax savings (tax deductions at the rate of 125 per cent of the contributions to professional institutions and 100 per cent to other institutions of education).

It would be very important to see how the corporate sector responds to these fiscal provisions introduced in the finance bills in the last few years. Few details are easily available.[7] It is also necessary to estimate and compare the gains to the education system in terms of such donations, and revenue losses to the public exchequer due to the tax exemptions awarded. Sometimes, it is feared that the losses could be higher than the gains. However, since flow of additional revenues to the general public exchequer does not guarantee allocations to technical education, technical education institutions prefer donations, even if the net losses to the public exchequer are high. Critics have also observed that the industrial sector has been well protected all these years. But its performance in terms of its contributions to the higher education sector, or investment in research and development activities, in particular, is dismal. The private sector accounts for barely 14 per cent of the total expenditure on science and technology in India (1992–93), as noted in Table 8.4. Hence, high levels of optimism about the contributions of the private sector to technical education in response to the fiscal incentives are unfounded, unless some stronger elements of *quid pro quo* are introduced into the system.

The AICTE Committee has taken into account the need for *quid pro quo* and, accordingly, suggested some more incentives to the donors to be offered at the institutional level, such as (a) preferential rates of consultancy charges and testing charges to industries that make substantial contributions, (b) concessional fee rates for continuing educational programmes for nominees of donor industries, (c) reduced placement fees for campus recruitment (where such fees are charged), (d) nomination of the donors of substantial amounts to advisory bodies and consultative committees of the institutions and (e) naming of the facility donated after the donor. These are in addition to the suggestion that the donors should be given 150 per cent income tax exemption on these donations.

While some of these measures (for example, point (e) above) are already in vogue, it is necessary to see that educational considerations are not traded off in favour of the interests of the donors. Some measures (particularly that mentioned in point (d) above) might result in an undesirable influence on the priorities of the institution. As Panchamukhi (1977: 17) observed, 'tied donations are particularly adverse from efficiency point of view if the stipulated objectives of the donations and the plan objectives of the university are not consistent with one another and also if the donations generate strong substitution effect'.[8] Caution has to be adopted in seeing that the interests of the profit-seeking industrial sector do not replace the concerns of the non-profit-making education sector. It may be rightly feared that because of the high degree of the *quid pro quo* nature of several of the proposals suggested by the AICTE, including the sale of shares to private individuals, it would virtually mean selling away the public institution itself, and it could be comparable, though not very strictly, to the programme of public-sector disinvestment in physical capital industries.

The AICTE Committee also argues for the introduction of self-financing short- and long-term training and other courses, like that in desktop publishing and others related to the commercial areas of modern technology, to generate more resources. Some universities seem to have already started courses in computers and related activities. It is necessary to see that the introduction of such revenue-generating courses does not distort the long-term priorities of higher education institutions. In other words, in the zeal to introduce more and more self-financing courses, the non-revenue-generating but vital areas of technical education and research should not get neglected. The AICTE Committee has also suggested the introduction of the distance mode of education, even in case of technical education. While this might be possible in case of a few areas of study, distance technical education in general may not be effectively feasible with limited resources. It might indeed be costlier than conventional education.

The AICTE Committee has also suggested higher fees for foreign and non-resident Indian (NRI) students towards making institutions financially self-reliant. It has suggested application of the principle of full cost recovery and accordingly recommended a fee of US$ 3,000 for such students. The fee could be much higher than US$ 3,000, if necessary. Second, the fees in advanced countries should also be taken into account while fixing this fee. A principal justification for such a fee structure is that, *inter alia*, many advanced and developing countries practice such a policy. But this seems to be causing quite a few problems, as recent court judgements on quota for such students have revealed. The institutions, both public and private, but particularly the private ones, like to offer more and more seats to such students than to national students who cannot be charged such high fees.[9] In other words, private institutions would naturally prefer students who pay more to those who pay less. As a result, the number of seats available to Indian students will be adversely affected.

Several of the measures discussed above have high potential in generating revenues; they are also potentially highly risky in terms of equity and efficiency in education. A delicate balance between monetary gains and educational losses needs to be achieved. Unfortunately, the government (and even court-stipulated) rules and regulations are found to be ineffective in such an act of delicate balancing.

Special Taxes: Education Cess

As against the public financing of higher education out of the general tax revenue, there are arguments nowadays in favour of financing it out of earmarked taxes like the education cess, graduate tax or payroll tax. The AICTE Committee has suggested levying of an educational cess on industries and other organisations that use technical manpower. This is similar to the payroll tax that is being implemented in some countries, particularly in case of training. The education cess is an education-specific tax to be levied on those who use educated manpower. The basic argument is that the employers who employ technical manpower should be required to share the costs of production of the skilled 'human capital'. In effect, particularly technical, technological, management, engineering and other professional education should be financed out of earmarked taxes, like the education cess levied on the manufacturing industry and trade. The cess could be levied based on the wage bill, referring to the size and quality of the technical manpower employed, or the number of such graduates employed. The amount of cess to be levied needs to be based on the cost of education and the number of technical graduates employed. It is hoped that once the employers start paying education cess regularly, the resources that thus accrue to the technical education system can form a reliable and continuous source of financing it in the years to come. The AICTE Committee also felt that the income from the cess could flow into the funds of the EDBI.

Economic theory provides some justification for earmarked or special taxes like education cess. Some argue that by assigning revenue from specific sources to technical education, expenditure on technical education can be increased. Education cess may protect technical education from shifting allocations, inefficiency and corruption, and assure minimum levels of finances. Thus, as funds for technical education from general tax revenue are subject to indiscrete cuts, education cess would form a 'sure source of funds for education, [and they have] to be preferred to general fund financing' (Panchamukhi 1989: 44). However, many economists have been skeptical about earmarked taxes. Generally, earmarked taxes and cesses have a very restricted tax base. A cess is usually levied as a small fraction of some other tax,[10] mostly as a temporary and also supplementary source of additional revenue. This means that education cess cannot be the principal source of funds for technical education unless it is levied at a very high rate. Hence, revenue from these sources could be supplementary to, and not substitute for, financing from the general tax revenue, the base of which is very wide. In this sense, the role of earmarked taxes is insignificant. Further, low levels of revenues along with huge costs of administration and collection of earmarked taxes make the whole system of earmarked taxes economically inefficient (see McCleary 1991).

While measures like education cess have a simple and strong appeal, the main drawback of such a special tax, however, is that it might work as a disincentive to employers to employ qualified technical manpower. Depending upon the elasticity of substitution between several levels/types of technical graduate manpower, employers may tend to employ a 'cheaper' graduate. An individual with a graduate degree may be preferred to one with a postgraduate degree; postgraduate may be preferred to a doctorate; or perhaps, even an undergraduate diploma-holder may be preferred to a graduate. All this may aggravate the problem of educated unemployment, unless the relationship between education and productivity becomes very strong and the elasticity of substitution between the several types of higher technical education is nearly zero. Thus, this puts a burden on the human capital-intensive units, and the employers may try to substitute human capital for physical capital on the one hand, and higher educated technical manpower with the lower educated on the other.

Economy in Expenditure

Several measures are being suggested for the efficient utilisation of resources in educational institutions and to effect economy in expenditures. One important measure refers to the consolidation of uneconomic institutions, as stated in the National Policy on Education 1986 (Government of India 1986) and also in the Seventh Five Year Plan (Planning Commission 1985). For the effective utilisation of available resources, it is necessary that an *optimum* size of the institutions is worked out. Institutions with small size would be uneconomic and in institutions with large student numbers, the resources might be over-optimally utilised. The AICTE felt that institutions of technical education have enrolments in the range of 1,500–2,000, with a minimum annual intake of 180, and with an intake of 40–60 students for every course or discipline. The Committee has also suggested that staff to student ratios vary between 1:15 and 1:20. Available data on some engineering institutions is given in Table 8.13, which shows that more than half the institutions are having enrolment below 1,500, and more than 80 per cent of the institutions have a staff to student ratio of less than 1:15. All this suggests that there is need for the consolidation of technical education institutions through proper institutional planning.

TABLE 8.13: Distribution of Engineering Institutions, by Enrolments and by Pupil-Teacher Ratio (1985–86)

By enrolment			*By no. of students per teacher*		
	No.	*%*		*No.*	*%*
Below 1,000	8	24.2	Below 5	1	2.7
1,001–1,500	11	33.3	5–7	6	16.2
1,501–2,000	4	12.1	8–10	12	32.4
2,001–2,500	2	6.1	11–15	15	40.5
2,500–3,000	3	9.1	15–20	2	5.4
Above 3,000	5	15.2	Above 20	1	2.7
Total (Range: 656–4,234)	33	100.0	Total	37	100.0

Source: Based on Jha (1994: 35, 40).

Private Institutions

In the global wave of privatisation and increasing financial stringency, privatisation of education, the establishment of private institutions in particular, is being viewed as a panacea to the problems. The Private University Bill recently introduced in Parliament hoped that specifically in the emerging areas of science and technology, private universities would be able to make a significant contribution. While until now there was no formal private university in India,[11] there were a large number of private colleges in the general and technical education spheres. Private colleges are of two types—aided and unaided. There are also private colleges that are not only unaided but also unrecognised, about which little information is available. The private aided colleges have not contributed significantly to easing the financial burden of the government, as more than 95 per cent of the recurring expenditure, and sometimes even the capital expenditure, is met by the public exchequer. So, the current discussion on private institutions is around total private institutions with no State support.

In this context, it is necessary to note that unlike in the past, when philanthropists started private colleges with an attitude of charity and educational considerations, the new educational entrepreneurs of today establish colleges and universities with commercial and profit motives (Kothari 1986). For the same reason, they also enter those sectors of higher education that yield higher rates of profit. Accordingly, we now find more and more private colleges (particularly capitation fee colleges) in engineering and medical education, but not in the arts, sciences and humanities, as the latter, though important for the development of a humane society, yield no attractive profits compared to technical and medical colleges. Since profit is the main consideration, institutions contest the court and government orders in relation to the number of seats that should be made available on merit *vis-à-vis* the number of seats that could be auctioned to the highest bidder (in the name of management quota, quota for foreign/NRI students, etc.) and number of seats that should be made available for meritorious students and those from the weaker sections of society at concessional rates of fees. Since profit is the main consideration, even quality is not cared for. As a result, private medical colleges are started with no hospital facilities, and engineering colleges without sufficient workshops and laboratories. To reap quick profits, fees are fixed at exorbitantly high rates, many a time several times the cost per student, and are collected formally and informally (Tilak 1992a).

The issue of fees in private institutions became very important, often leading the courts to issue directives to the government, UGC, AICTE, etc., to fix the proper levels of fees. What should be the basis for fees? Obviously, the recurring costs of education should form the main basis. The recurring expenditure per student in engineering institutions in India as a whole, on average, was only around Rs 5,000 in 1985–86 (Table 8.14). The corresponding figures were higher in several universities, IITs and other colleges. It ranges between Rs 3,674 in Jawaharlal Nehru National College of Engineering, Shimoga, and Rs 43,139 in IISc, Bangalore, ignoring the Lukhdhirji Engineering Collegein Morbi, where it was reported to be as high as Rs 92,629. In a majority of the institutions (26 out of 33 on which such data were available), it is below Rs 20,000 (Jha 1994: 35). The

AICTE has worked out the annual recurring cost per student for engineering college to be Rs 11,916 in 1988. This was based on adopting somewhat 'liberal norms', and it was also estimated that it might be around Rs 15,200–20,000 in 1993 (AICTE 1994: 5). Given all this, there is no justification for fixing fee (according to the principle of full cost recovery) at much higher levels.

TABLE 8.14: Recurring Expenditure per Student in Technical Education (Rs)

	1980–81	*1985–86*
Business management*	13,100	12,781
Engineering technology and architecture		
Degree standard and above	4,100	4,978
Below degree level	2,000	3,438

Note: *Degree standard and above
Source: Based on MHRD (1989, 1993).

Second, fees in private institutions are expected to have some relationship with fees in public institutions. For example, the tuition fee in private universities in the US was only five times higher than those in public universities. If fees and all other charges were taken into account, the public to private fee ratio would be only 1:2.8. Compared to these figures, the ratios in India between, say, the so-called 'free' seats[12] and 'payment' seats in private professional colleges seem alarmingly high—1:19.8 in Maharashtra, 1:35 in Tamil Nadu and 1:43 in Manipal Academy (Tilak 1994).

To conclude, in our anxiety towards privatisation, its limits are often overlooked. Taking all private institutions, that is, including aided institutions, the enrolments in private colleges in India constituted 57 per cent of the total enrolments in higher education in 1985. The corresponding ratio in the US was only 25 per cent in 1988. Moreover, in the US it came down significantly from 50 per cent in 1950 (Tilak 1991). So the question that needs to be addressed is: How much of our higher education should be privatised? Profit maximisation seems to be the sole objective of many of the private institutions, particularly in higher technical education. How far would the growth of profit-seeking technical education institutions be desirable for the proper development of education, the development of an equitable society and efficient economic system? The questionable practices of the private sector in education and the inability of the government to effectively regulate private institutions should also be kept in mind in setting the limits.

Summary and Conclusions

Financing is a major policy instrument of the government and it reflects the priorities the government and society at large accord to a given activity. The importance attached to technical education in India by the government can be gauged by looking at the growth of technical education as a part of the Department of Education, and the growth of science and technology as a part of the Department of Science and Technology, both of which need to be closely coordinated for a proper development of technical education in the country. Though the critical importance of technical education is recognised in every Five Year Plan document, as it has a strong relationship with productivity and growth, it has not received as much attention as it should have. Like the rest of the education system, the government is the major financier of technical education. Two-thirds of the recurring expenditure on technical education was met by government in 1985–86. At the same time, fees and other sources also seem sizeable, unlike in the rest of the education system. Particularly, fees accounted for one-fourth of the recurring expenditure in institutions of engineering, technology, architecture and business management. In the budget of the Departments of Education, technical education received about 4 per cent of the total—an insignificant proportion. Allocations to science and technology were also scanty. Expenditure on science and technology forms 0.8 per cent of the GNP. Most of the meagre investments in science and technology are made by the government, the Central Government in particular, and the private sector has played only a peripheral role.

With the introduction of economic reforms policies that included globalisation and international competitiveness, the demand for technical manpower will increase substantially in the near future, as industries with high productivity and high profit margins tend to increasingly use more and more technical manpower all over the world, as the value added of technical manpower continues to increase as compared to the value added by other physical capital inputs. The success of the economic reforms programmes critically depends upon the quality and quantity of technical manpower. Thus, the need for more financial resources for the development of technical education is obvious. Resources may have to be mobilised from conventional and non-conventional sources. The government has to play an important role in increasing investments in technical education.

In this context, a few important proposals made by the AICTE Committee on the mobilisation of additional resources for technical education have been reviewed in this chapter, along with other recent policy initiatives in this regard. Fee reforms involving steep increases in fees, student loan programmes, a scheme of loans to institutions, other measures for financial self-sufficiency, economy in expenditure and privatisation are some of the important issues discussed. While it is not necessary here to recapitulate all the arguments made earlier, it may briefly be noted that I have argued for caution in extensively relying on some of the measures that are being suggested, and also questioned the optimism that is created by such policy initiatives. It should be noted that the various policy measures together can provide only a partial and limited solution to the problem of finances. The potential of these measures in generating resources is rather limited, unless welfare, equity and even educational considerations are traded off. In other words, while experimentation with a variety of measures is needed, the limitations of the several measures in terms of desirability from social, economic and educational points of view, and practical feasibility, have to be noted, and deliberate efforts need to be made to reduce the ill effects of these policies. A delicate balancing act with respect to mobilisation of resources and safeguarding the considerations relating to social equity, economic efficiency and educational excellence is needed. The main argument is that let not the generation of financial resources and ensuring of financial self-sufficiency become the most important objectives of the higher education system in general, and institutions of higher technical education in particular, and let not considerations relating to education, equitable society and efficient economic system vanish into oblivion. Let not short-term economic compulsions determine our long-term policies, particularly those that become irreversible. In this sense, as the AICTE Committee (1994: iv) has argued, 'there is urgent need for institutions and Governments to make *long term resource planning* for the development of technical education' (emphasis added).

The role of the government becomes crucial in the development of technical education in the country, because it is not only expensive, but also an investment that produces immense externalities for economic growth and development. Left to private initiatives to any significant extent, investment in education, including in technical education would be under-optimum, as market forces fail to capture the externalities associated with investment in human capital. As the AICTE Committee (1994: 24) has argued,

> Considering the importance of technical education in all development activities and its major role in assuring better quality of life for all citizens, the Government should make a firm commitment to the cause of technical education both in the short term and long term, and its concern for maintaining the quality of education and research at the highest possible level consistent with their relevance to our national requirements.

All other measures should be seen only as measures that supplement the governmental efforts in optimum levels of investment in technical education.

Endnotes

An earlier version was presented at the National Seminar on Private Initiatives in Planning and Management of Technical Education. Ahmedabad: Indian Institute of Management, October 1995, and appeared in *The Indian Journal of Technical Education* 19 (3) (July–September 1996): 11–23; and in *Planning and Management of Technical Education in India*. New Delhi: All-India Council for Technical Education, 1996, 369–401.

[1] As Machlup (1962: 145) rightly stated, 'the dyad—research *and* development refers more typically to technological creation, because

it is here that the scientific findings and technical inventions require technological development for practical, chiefly industrial, application'. As research in the humanities and social sciences is not usually followed by 'development work', research and development is also synonymously used with terms like science and technology.

[2] This is also known as the Dr Swaminadhan Committee, after the name of its chairman.

[3] In the university as a whole, more than two-thirds of the students belong to this income bracket. The corresponding proportion was the lowest in medicine (47 per cent) and highest in the commerce faculty (78 per cent).

[4] Even the Private University Bill of 1995, introduced recently in Parliament, makes a provision that the institution should offer scholarships and freeships to no less than 30 per cent of the students.

[5] It is, however, not clear when it was suggested that the loan should be a 'soft loan' for a period of up to one year (only) after the completion of studies.

[6] The details that follow with respect to loan programmes initiated by the banks are given by Thomas (1995).

[7] However, the provision for a 100 per cent tax deduction for donations to universities existed earlier too, at least in some states like Maharashtra (Panchamukhi 1977: 18). But the response of the private corporate sector has not been particularly significant.

[8] For the same reason, according to the recent newspaper reports, Jawaharlal Nehru University (JNU) has agreed, in principle, to accept only untied donations and refuse any tied donations, however well-intended the nature of these tied donations.

[9] In one of the states (Karnataka), the government ordered that in the absence of sufficient demand from the NRI or foreign students, even the reserved seats could be made available to Indian students at the same fees as prescribed for the foreign/NRI students.

[10] For example, a cess for the public financing of libraries is attached to professional tax or urban property tax. In rural areas, cess is levied as a proportion of land revenue. Further, education cess, generally levied and collected by the local layers of administration, is used largely for school education run by the local administration like Panchayats, Mandals and Zilla Parishads.

[11] The only exception is the Manipal Academy that was given the status of an institution deemed to be a university.

[12] Fees for the 'free' seats in private colleges are expected to be equivalent to the fees in government colleges.

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— nine —

CHANGING PATTERNS OF FINANCING EDUCATION*

The essence of the current crisis in (higher) education around the world is the twin confrontations of change versus heritage, and of one force for change ... versus another ...

—Clark Kerr 1994: 51

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The last quarter of the twentieth century has been marked by significant changes in the pattern of financing education, the most dominant change being a steady shift from a centuries-old welfare-state approach to financing based on free-market principles. The change has neither been smooth nor complete in any sense, wherever such a change has been attempted; nor has such a change been necessarily global, even though it is nowadays being attempted in many countries, developing and developed alike. These changes (and attempts to change) often produce several kinds of social, economic and cultural conflicts. Such conflicts also

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seem to be widespread. This chapter is concerned with a few such conflicts. By describing the changing patterns of financing—from traditional methods and approaches to modern Western methods—the conflicts between tradition and modernity are highlighted, some of which are familiarly referred to as debates between egalitarians and liberals.[1] This chapter does not aim at presenting an exhaustive discussion of the conflicts and tensions in educational development in general. Rather, it focuses on those tensions which relate to policies specific to financing education. Nor does the chapter present a comprehensive discussion of the problems of financing education either.[2] A few major issues in the financing of education in developing countries have been selected, and we concentrate on emerging tensions and discuss the changing approaches towards those issues. Specifically, the principal focus of this chapter is on the tensions and conflicts inherent in such a shift from a welfare-state philosophy to a free-market approach. The major issues selected are: the trends towards privatisation; the shift from free primary education to student fees in primary education; the shift from low to high fees (and full cost recovery) in higher education; student loans; and the changing roles of community, government and the international aid community in financing education.

Welfare State versus Free-market Philosophy

The value of education was recognised in traditional societies perhaps much more than it is in modern societies. Though no attempts were made to identify and quantify the benefits of education, the value of education was rarely questioned. Education and knowledge were viewed as great wealth in themselves, besides being a source of increase in wealth.[3] It seems that even the existence of externalities was acknowledged in traditional societies, both in the ancient and modern periods. Accordingly, societies invested resources in education voluntarily and gladly, and many a time without expecting any direct economic return.

Even in modern societies for a long time, say, until the advent of the 1970s, it was held that there was no need to employ direct methods of cost recovery for financing education. It was held that the benefits of education were vast and widespread and, in the long run, government investments made in education could be recovered by society through the increased productivity of the labour force and through consequent higher tax receipts by the government and, hence, there was no need for specific *direct* measures to recover the investments made in education. As Mishan (1969) observed, '(higher) education is an investment and will pay for itself; and will increase the earnings of the beneficiary students and the government will recover its costs through consequent higher tax receipts'.[4]

The immediate post-World-War-II period in Europe and the post-Independence period in developing countries was dominated by such a welfare-state philosophy and a philosophy of social democratic consensus. It was strongly felt that the government could do almost everything for everybody. Following John Maynard Keynes, the power of the State was recognised, State planning and intervention were favoured and an extension of the traditional functions of the State was promoted. Education had been one important sector in which the role of the State had been widely recognised. The importance of public education was highlighted earlier in classical political economy as well. As John Vaizey (1962: 23) observed, 'there is a long and honourable tradition from Adam Smith to Alfred Marshall which assigns to publicly supported education a major role not only in promoting social peace and harmony, and self improvement, but in the process of wealth-creation itself'. Accordingly, a gold standard tradition was established, characterised by State financing of education in full (or nearly in full).

The advent of the 1970s heralded a continuing financial crisis in education (Coombs 1985). The crisis was characterised by high rates of inflation and shrinking public budgets for education, along with increasing student numbers, declining per student expenditure, extremely inadequate investment in the quality of education, severe distortions in inter-sectoral and intra-sectoral allocation of resources, a widening of inter-country and intra-country inequalities in expenditure on education, etc. The socio-economic and political imperatives, along with the eclipse of Keynesianism in the mid-1970s, gradually and reluctantly paved the way for the entry of free-market principles and direct measures of cost recovery in education.

The concept of the free market used in modern economics until the end of 1970s or early 1980s was probably consistent with an appropriate role of the government to take care of market failures. This was the basis of welfare economics. But the 1980s and 1990s brought about a complete swing of the pendulum in which social democratic values and welfare state concerns were replaced by the free market philosophy that stresses individual economic values and gains. Individual freedom and choice are preferred to social (or public) choice. According to the somewhat extreme form of the free market philosophy (à la Hayek 1944), there is no meaning to 'social good' and 'social welfare'; there is no such thing as society or value to society that is inseparable from individual gains. Only the individuals are real, their gains are crucially important and individual freedom is more important than even the democratic and egalitarian values. Public good and social justice are viewed as impossible and even as not necessarily desirable. All this may look like an extreme form of 'libertarianism.' But such tendencies seem to be emerging and slowly becoming strong. It is argued increasingly nowadays that it is not the government but the market that can do everything for everybody. This philosophy has entered the education sector as well. Correspondingly, a reduced emphasis on education, more explicitly higher education, by the government is promoted as an economically and educationally efficient proposal, and it is recommended that the role of the government should be confined broadly to the formulation of a coherent policy framework (for example, World Bank 1994). The creeping in of a free market philosophy into education, which is much more ingrained in the American psyche, has come as something of a culture shock to most people, not only in developing countries, but also in several European countries, including the UK (Bottery 1992: 83), and has resulted in several kinds of tensions and conflicts.

All modern systems have generally been found to have been suffering for long from a shortage of resources, and during the post-War period, there has been continuous discussion concerning the mobilisation of additional resources for education. But in the early years of the post-War period, much of this discussion was focused on public resources—on the diversification of public revenues, on better methods of allocating public resources, on reallocating resources from less productive sectors to education and on more efficient methods of public finance (for example, the principles underlying the grants mechanism, etc.). Later, the focus shifted from the public to non-governmental sources of funding of public education in the name of diversification of finances—first laying stress on voluntary community contributions, donations and gifts and, subsequently, on student fees. It was only since the mid 1980s or so that the discussion moved explicitly in favour of the private financing of education or, more explicitly, privatisation (or marketisation) of education. Thus, attempts at mobilising additional resources were transformed under different garbs—first, mobilisation of additional (public) resources, and later, mobilisation of non-governmental resources, then diversification of finances, then cost-sharing, cost-shifting, cost recovery and user charges, and now privatisation. Thus, the market and *quasi*-market principles have been brought to bear in education through, *inter alia*, measures like student fees, loans and other forms of cost recovery, reflecting in all a steady march from welfare statism to free-market hegemony. While even at the beginning of the 1970s, privatisation of education appeared 'destined for marginality' (Levy 1992: 1183), it became an important slogan for the 1990s and beyond. As Psacharopoulos (1992: 114) observed, 'the wind of privatisation blowing all over Europe is affecting more than conventional markets for goods and services. Education absorbs considerable resources: hence, it is a natural candidate for removal from the public sector'.

A free market philosophy in financing education supports the following important policy prescriptions, most of which are associated with the World Bank.[5] It involves:

(a) the privatisation of education, involving specifically
    (i) the reduced role of government in higher education,[6]
    (ii) including reduced public expenditure on education;
    (iii) a corresponding increase in private initiatives in education;
    (iv) the introduction of fees in education, and if it is already introduced, an increase in the fee levels; and
    (v) an introduction of student loan programmes to finance (higher) education systems;

(b) the reallocation of public resources, including
    (i) targeting public subsidies to the economically weaker sections of society instead of universal subsidisation of education; and
    (ii) reallocation of public expenditure from higher to primary education.

Many of these prescriptions favour a shift of financial responsibilities from the social (institutional) domain to the individual (private) domain.[7] They also go against the conventional wisdom of the developing countries and, as a result, conflicts and tensions emerge in policies and practices. In the remainder of this chapter, we discuss some of these policy prescriptions, contrasting them with the approaches of the developing countries. It may be noted that many developing countries have had to resort to these and similar policy measures, either under pressure from international aid organisations and some of the developed countries, particularly the free market economies, or voluntarily themselves, that is, not necessarily under pressure from exogenous forces.

State Financing of Education

In many societies, it is important to note that the government is still the most important financier of education. Even in many developed countries, the State necessarily finances education rather liberally, footing most, if not all, of the education bill, at all levels of education, as shown in Table 9.1.[8] This is felt not only necessary for the development of education, but also as a desirable form of providing education, because markets cannot provide the socially optimum quantities and quality of education, as markets do not capture the externalities which can be captured only through State financing. Besides, State financing is also believed to be critically important on equity and efficiency considerations. Hence, even in free-market economies, public education systems are relatively dominant and the government finances a large proportion of the capital as well as recurring costs of public institutions, and some part (sometimes a high proportion) of the cost of private institutions too.

TABLE 9.1: Share of Public and Private Finances in Financing Education, 1994 (%)

	Primary and secondary		*Higher*		*All levels*	
	Public	*Private*	*Public*	*Private*	*Public*	*Private*
Canada	94.4	5.6	90.8	9.2	93.2	6.8
US	90.9*	9.1	48.4	51.6	74.5	25.5
Australia	88.7	11.3	74.7	25.3	83.9	16.1
Japan	93.6	6.4	46.4	53.6	77.2	22.8
Korea	75.2	24.8	16.0	84.0	59.4	40.6
Denmark	97.9	2.1	99.5	0.5	94.0	6.0
France	92.6	7.4	83.4	16.6	91.3	8.7
Germany	75.7	24.3	90.4	9.6	77.7	22.3
Netherlands	96.4	3.6	98.0	2.0	97.0	3.0
Portugal	100.0	0.0	100.0	0.0	100.0	0.0
Spain	87.8	12.2	78.1	21.9	85.4	14.6
Sweden	99.8	0.2	93.1	6.9	98.2	1.8
UK	—	—	100.0	0.0	—	—

Note: *1992: Not available.
Source: OECD (1997: 77).

But the policy prescriptions coming from the international aid organisations to developing countries seem to be exactly the opposite, creating serious tensions between those who prescribe policies and those who implement them.[9] Hence, the developing countries have a reason to suspect the intentions of the free market economies and international aid organisations, and to strongly argue that as 'higher education determines (a country's) economic and technological progress ... government funding must continue to be an essential and mandatory requirement for support to higher education' (UGC 1993: 18, 107).

Philanthropy versus Profit

Private education was the norm in most traditional societies for a long time. The State found it important that it should finance education, as the benefits of education are immense. Accordingly, in addition to the institutions run by the State, private educational institutions that opened in many developing countries in the 1950s and 1960s received State support, but private contributions were also significant. Private contributions reflected some genuine educational concerns of the individuals or organisations involved. However, the State-supported private institutions established in the last quarter of the twentieth century in India, for example, were of a different kind. Private contributions are insignificant in these institutions. Through corrupt and questionable practices, State funds are diverted to private pockets. Education has become a business, yielding good pay-offs with no initial investments at all.

There is another important shift taking place with regard to the nature of the role of the private sector. Gifts and voluntary donations to the public education system had been a very important feature not only in the ancient and medieval periods, but also in the post-War period, particularly during the period immediately after independence in the developing countries. Such private contributions in cash and kind were indeed substantial and, in return, the private donors did not expect to receive any particular benefit. The incentives used to be confined largely to naming buildings in the name of the donors, besides allowing them the social status and influence in decision-making in the given educational institution. These contributions were associated with somewhat genuine concerns for educational development, philanthropy and charity. Slowly, such contributions withered away and the private donors in the 1980s and 1990s, instead, began opting to open their own private institution, as philanthropic, charitable and educational considerations gave way to a philosophy of greed and the profit motive, associated with a market approach to development. When public institutions needed to attract private contributions, economic incentives such as 100–125 per cent tax concessions were to be offered. Still, economic gains from opening private institutions seemed to be more attractive than the tax concessions on private donations to public institutions.

It may be noted that while ‘profit’ was not traditionally an acceptable concept in education, in the modern period, private institutions have been accorded recognition by the State as 'profit-seeking' and 'non-profit-seeking' educational institutions. The market approach has contributed to the legitimisation of profit-making in education and, accordingly, the emergence of a new breed of State-recognised private institutions seeking profit. Many such private educational institutions have been found to suffer from several maladies: (a) they run for profit with little consideration for the national manpower needs; (b) since profit is allowed, they charge several times the cost of provision of education as fees; (c) they contribute to the massive erosion of quality and standards in higher education; (d) they perpetuate social and economic inequalities in the system to such a degree that no welfare state can afford the long-term cost; and, above all, (e) they contribute to the distortions in the allocation of public resources in education (Tilak 1991, 1992a, 1994). Even if private institutions are relatively small in number compared to public institutions, the adverse effects of private institutions on socio-economic equity are found to be so high that the positive effects of public schools cannot offset the ill effects of private schooling (Dasgupta 1979). Despite an awareness of all these factors, private institutions, particularly profit-making educational institutions have become the order of the day, compared to the situation in which profit was not allowed to enter the arena of education. This is partly due to the policies being adopted by the governments on their own, voluntarily or out of compulsions that favour the growth of self-financing educational institutions. Accordingly, while in the past those individuals who opened private educational institutions had been respected and accorded—quite rightly—higher social status, such individuals are now looked down upon as dishonest and greedy businessmen.

Little research on the public and private schools has concentrated on the financial aspects, as it is hard to obtain reliable data on financial aspects from private institutions, particularly in the developing countries. On the other hand, it has been highlighted in quite a few studies (for example, Jimenez and Lockheed 1995; Kingdon 1994) that private schools are more 'cost-efficient' as they run at lower unit costs than public schools. But the low unit costs in the private schools compared to public (government) schools do not necessarily reflect cost-efficiency; nor do higher costs in public schools reflect higher quality. While the latter may reflect the inefficient use of resources, the former represent, in many cases, the underlying undesirable practices adopted by the private schools in developing countries and, in any event, the efficiency of private schools has remained unproven beyond doubt.

Free Primary Education versus Fees in Primary Education

Much of the discussion concerning cost recovery in education was confined to higher education until the end of the 1970s and even during the early 1980s. Viewing primary education as a pure public good and/or respecting the spirit of the national constitutional provisions and the declarations of the UN, UNESCO, etc., fees and cost recovery were exempted from such discussions, implying, therefore, that the State should fully finance primary education. This view still prevails in certain corners. However, of late, even primary education has not been spared from such discussions and from the corresponding policy measures favouring the introduction of cost recovery measures.

Interestingly, while the earlier national and international declarations and conventions of the rights of children assured *free* and compulsory education for all, the term 'free' has begun to disappear of late in such declarations.[10] Organisations like the World Bank (1986) favoured the introduction of fees in primary education (Birdsall 1983a, 1983b; Thobani 1983) and, subsequently, simultaneously opposed and supported the same policy later. For example, the World Bank (1986: 23) observed that 'in general, increased private financing at the primary level is not recommended since it might interfere with universal coverage—a socially desirable goal', but argued that it 'could increase efficiency within schools' (ibid.) and 'improve the future distribution of income' (ibid.: 24); and finally approved the fees in primary education in several countries. But when such moves were criticized (for example, Klees 1984), the World Bank subsequently stopped 'insisting' on the introduction of fees in primary education. It should be noted that the Bank has only stopped insisting, but it continues to favour fees in primary education. For instance, the World Bank (1995: 132) stated, 'Even at primary level, the charging of fees need not be incompatible with the principle of free primary education, so long as these fees are regulated.'[11]

In the present circumstances, market principles tend to become dominant, though the introduction of fees in primary schools is not strongly advocated, nor is it discouraged seriously. This confusion in policy has been reflected in frequent measures of introduction-abolition-reintroduction of fees by governments in developing countries[12] and international organisations encouraging the mushrooming of high-fee-charging private schools in primary education, mostly in (but not necessarily confined to) urban areas on the one hand, and the introduction of various kinds of small levels of non-tuition (sometimes even tuition) fees in public schools on the other.[13]

In summary, the philosophy of free primary education is gradually being bidden 'good-bye'. This is against the public good nature of education and is also against the conventional wisdom of many nations, reflected in their constitutions and other similar well-intended declarations. This unfortunate trend is occurring almost without notice.

Cost Recovery in Higher Education

The neo-liberals have been bent on arguing for 'greater private financing' of education in general, and higher education in particular. In this context, reforms of student fees have been suggested as an important measure, along with student loans for needy students. The World Bank has been at the forefront, strongly arguing in favour of an increase in fees in higher education in developing countries. As Jones (1992: 249) observed, fewer and fewer bank loans by the end of the 1980s were free of the obligations imposed by loan conditionalities to promote privatisation and expansion of user charges in education, particularly higher education.

First, a general impression has been created that higher education in developing countries is provided (relatively) free and that there is abundant scope for increases in fees. Second, increases in fees are also suggested on the premise that higher education has over-expanded in developing countries and that these economies produce more manpower than they require. Many policy suggestions are based on these and similar misconceptions. But both premises lack sufficient empirical support.

First, it must be noted that fees (tuition and other fees) as a proportion of the recurrent costs of higher education in developing countries like India are reasonably high—15–20 per cent. This is much a higher percentage than the corresponding proportion in many developing and developed countries of the world (Table 9.2). Even in countries like the US, tuition fees meet only 15 per cent of total recurrent expenditure in public institutions. Only in South Korea and Chile is the proportion much higher. The corresponding figures are higher in poor countries like Vietnam than in relatively developed countries like New Zealand, Spain, France and Singapore (World Bank 1994).

TABLE 9.2: Share of Fees in Costs of Higher Education in Selected Countries (%)

Country	*Year*	*Share*	*Country*	*Year*	*Share*
*Developing countries**			*Developed countries*		
Public/predominantly public			*Public/predominantly public*		
Sri Lanka		..	Norway	1987	0.0
Tanzania		..	Australia	1987	2.1
Bolivia		1.0	France	1975	2.9
Pakistan		2.1		1984	4.7
Venezuela	1986	3.8	Germany	1986	0.0
Nepal	1986–87	4.4	Canada	Mid 1980s	12.0
Papua and New Guinea	1988–89	4.4–9.0	Netherlands	1985	12.0
Brazil		5.0	Spain	Mid 1980s	20.0
Malaysia		5.8	Japan	1970	2.0
Thailand		6.9		1987	8.8
Taiwan	Late 1980s	7.0	UK		

(contd)

Table 9.2 (contd)

Country	*Year*	*Share*	*Country*	*Year*	*Share*
*Developing countries**			*Developed countries*		
Public/predominantly public			*Public/predominantly public*		
Pakistan	1987–88		*Universities*	1970–71	12.6
Colleges		7.4		1988–89	6.4
Universities (general)		1.9	*Polytechnics*	1982–83	15.0
Universities (tech)		1.3		1987–88	14.0
Costa Rica		8.0	Soviet Union	Early 1980s	0.0
Colombia	1987	9.6	Hong Kong	1988–89	6.5–12.1
Guatemala		10.0	US	1969–70	15.1
China	1993**	>10.0		1984–85	14.5
Philippines	1985	10.9	*Developing countries*		
Nigeria		12.4	*Private*		
Indonesia		13.0	Taiwan	Late 1980s	50.0
India	1984–85	15.0	Colombia	1989	81.0
Turkey		15.0	South Korea	1985	82.3
Vietnam	1993**	>20.0	Venezuela	1986	83.0
Jordan	1993**	>30.0	Philippines	1977	85.0
Chile	1990	38.5	Chile	1990	95.0
South Korea	1985	49.6	*Developed countries*		
			Private		
			US	1969–70	38.6
				1984–85	38.7
			Japan	1971	75.8
				1985	65.8

Notes: (..) Nil or negligible.

* Around 1980, unless otherwise mentioned.

** The year is inferred.

Source: Woo (1991: 1029–44) for Taiwan; World Bank (1997) for China, Vietnam and Jordan; Tilak (1997a: 63–89) for the others.

In the context of these policies, it is also necessary to note that the proportion of student or household expenditure on higher education is much higher in developing countries like India than in countries like the US (Tilak 1993). Household costs (exclusive of opportunity costs) on higher education as a proportion of the GNP per capita are much higher in developing countries than in developed countries. For example, such proportions were 450 per cent in Kenya, 337 per cent in Honduras, 203 per cent in Colombia, 175 per cent in Indonesia and 110 per cent in Costa Rica. In contrast, the corresponding figures were 24 per cent in the UK, 30 per cent in Ontario, 34 per cent in the US and 38 per cent in France (Ziderman and Albrecht 1995: 47). Further, given the standards of living of the population on the one hand, and, more importantly, the absence of any effective student-aid programmes on the other, any measure to increase fees substantially and reduce public subsidies for higher education will produce a brutal impact on the disadvantaged students. Thus, it is necessary to note that the scope to mobilise a greater share from students does not exist in developing countries.

Secondly, despite seemingly high rates of growth of higher education systems in developing countries, a very small proportion of the relevant age-group population is enrolled in higher educational institutions in developing countries, compared to above 70 per cent in the US and nearly 100 per cent in Canada, as shown in Table 9.3. With inadequate higher educated manpower, it is being realised increasingly by the developing countries that they cannot attain high levels of economic growth and that they cannot reap the gains of globalisation policies. Economic miracles have been produced in some developing countries (for example, in East Asia), mainly due to high rates of growth of their higher educational systems.

Significant increases in fees in higher education will produce serious tensions at two levels, apart from general student protests and the associated political unrest. With steep increases in fee levels and reduced State subsidies for higher education, the demand for higher education might fall and, in the medium to long run, developing countries will have fewer and fewer qualified educated manpower, producing serious bottlenecks for development. As a result, developing countries have to rely on manpower from

Table 9.3: Gross Enrolment Ratio in Higher Education in Selected Developed and Developing Countries (%)

Country	*Year*	*Ratio*	*Country*	*Year*	*Ratio*
Developed countries	1995	51.0	*Developing countries*	1995	8.9
Canada	1993	102.9*	Asia	1995	9.7
US	1994	81.1	South Korea	1995	52.0
Australia	1995	71.7	Philippines	1994	27.4
Finland	1994	66.9	Thailand	1995	20.1
New Zealand	1995	58.2	Indonesia	1994	11.1
Norway	1994	54.5	Malaysia	1994	10.6
France	1993	49.6	India	1995	6.4
Netherlands	1993	48.9	China	1995	5.3
UK	1994	48.3	Sri Lanka	1995	5.1
Spain	1994	46.1	Bangladesh	1990	4.4
Denmark	1994	45.0	Pakistan	1991	3.0
Austria	1994	44.8	Africa	1995	5.6
Germany	1994	42.7	Nigeria	1993	4.1
Sweden	1994	42.5	Zambia	1994	2.5
Italy	1994	40.6	Kenya	1990	1.6
Japan	1994	40.3	Ghana	1990	1.4
Belgium	1995	39.4	Tanzania	1995	0.5
Bulgaria	1995	39.4	Latin America**	1995	17.3
Singapore	1995	33.7	Mexico	1991	14.3
Switzerland	1994	31.8	Colombia	1995	17.2
Hong Kong	1993	21.9	Brazil	1994	11.3

Notes: * GER can be marginally higher than 100.
** Latin America and the Caribbean.
The regional average for Asia includes advanced countries like Japan and Hong Kong.

Source: UNESCO (1997).

the developed countries, recruited at higher wages/salaries—a phenomenon confronted by several developing countries in Sub-Saharan Africa and Asian countries like Cambodia and Vietnam. This has produced avoidable economic as well as cultural tensions between the developing and developed countries.

The second kind of tension arises within the countries, between the rich and the poor. The steep increase in fees, as suggested by the advocates of a free market philosophy, pushes poor people out of higher education, thus making higher education an increasingly pro-rich bastion, producing severe socio-economic inequalities within the society and conflicts between the rich and the poor. As against universal subsidisation, selective subsidisation policies, that is, targeted subsidies, have a strong appeal, but they are necessarily inefficient and divisive, and also contribute to such class conflicts.[14]

Parents versus Children: Who Should Pay the Loans?

Another important measure that is being suggested as an effective solution to the problems of financing higher education refers to student loans, despite the low rates of recovery and high costs of default and administration associated with them (World Bank 1994; Ziderman and Albrecht 1995). Currently, loan programmes are in vogue in a large number of countries. Proposals on loans are also based inherently on the market principle that those who benefit must pay. In this context, parents and students are viewed as two separate units, the students being the direct beneficiaries of education and, hence, according to the benefit principle, it is the students, not the parents, who should pay for education. Since the students are generally not earners, they are given an option to take out loans for their education, and only when they become earners, would they be required to repay such loans.

Student loans, thus, transfer the responsibility of funding education from parents to the children, which might affect the relationships between children and parents. It is probably for the same reason that in quite a few countries, it is (or used to be) mandatory that parents necessarily finance the education of their children (see Johnstone 1989). But in many developed countries now, children over the age of 14 years are made to finance their own education through on-campus work and loans. The attempt to free parents from the financial responsibilities for their children's education is indeed an alien feature, if not a great cultural shock, to many traditional societies in Asia.

Then there are two additional culture-specific aspects relating to student loans in practice. First, unlike in American and, to some extent, European societies, loans are unwelcome from a psychological point of view in many traditional societies. Particularly, traditional Asian societies were averse to the very idea of living on loans, or education with the help of loans, as such a way of living is not considered respectful, particularly compared to the American way of life, in which the number of loans one takes out and the individuals' corresponding credit-worthiness are generally treated favourably, as an important indicator of higher socio-economic status.[15]

Second, fears that student loans will work as a 'negative dowry' and, accordingly, will have serious adverse effects on the enrolment of women in higher education, are strong not only in the UK (Robbins Committee 1963: 211), but also in many other developed and developing countries like India, where dowry is an important social phenomenon. In those traditional societies in which dowry is not an important social phenomenon, but the husband's obligations are an accepted norm, the problem becomes equally serious.

Further, major reforms in student loan programmes in the developing countries are found to be difficult to carry out. For example, if the responsibility of administering the loans is given to commercial banks instead of educational institutions, as per the recent reforms in India, the administration of loans and their recovery might be expected to become relatively more efficient in such a market framework, but this might be at the cost of educational and social considerations. The banking institutions would be willing to give loans not necessarily to the economically weaker and educationally deserving students, but to economically better- off students, as the recovery of the loan would become the most important consideration.

In summary, student loans, which are inherently based on a free market philosophy are not necessarily culture-free. The differences in culture explain, though only in part, the varying degrees of effectiveness of such programmes. On the whole, there is no country where the loan programme works most efficiently with 100, or nearly 100, per cent recovery and with no serious adverse effects on the demand for higher education.

Community Financing, Government Financing and International Aid

In many traditional societies, education was supported by voluntary community contributions for long periods. For instance, for several centuries until the modern formal education system was introduced in India, communities voluntarily used to provide alms and other necessities to teachers and students. Endowments and donations were a marked characteristic of the ancient period in India. Even after a modern education system was introduced, communities used to contribute voluntarily towards the construction of school buildings, either in terms of labour or other material and/or even in monetary terms. One-fifth to one-fourth of total expenditure on education in India in the late nineteenth century was financed out of community contributions (Misra 1962). Much of the expansion of primary education in Africa owes to local African communities (Foster 1989). The Harambee movement in Kenya (Hill 1991) is one important example of local efforts at educational development. It is particularly important to note that, as shown in Table 9.4, whenever the government did not take an interest in education, say, during the British rule in India, community contributions to education were substantial.[16]

But once the government assumed the responsibility for providing education in the modern system, say, for example, by the independent government in India after 1946–47, community contributions slowly began to dwindle and receded to the background. But what is worrying is that when government funds become scarce again, community contributions might not be forthcoming in adequate quantities. As a result, the education system suffers with inadequate government funding and dwindling community contributions.

Similarly, as international aid organisations—multilateral and bilateral—entered the education scene in the developing countries, international aid in several countries replaced governmental support to education rather than supplementing government resources (Tilak 1990). This was partly due to the explicit conditionalities attached to loans, such as those of the stabilisation and structural adjustment loans provided by the World Bank and IMF that required the governments to reduce their expenditures, among various other factors (Tilak 1992b).

Once external aid for education in a given country ceases, the education system becomes worse off, as the role of communities has already been minimised, and the role of the government in funding education has been reduced. The situation is further aggravated when foreign aid projects are not sustainable once aid ceases. Thus,

TABLE 9.4: Government Grants and Community Contributions to Education in India

	Government		*Community*	
	Rs in million	*%*	*Rs in million*	*%*
1870–71	6.57	70.6	0.25	2.7
1881–82	7.29	39.2	3.76	20.2
1891–92	8.13	28.8	6.05	19.8
1901–02	10.28	25.6	9.78	24.3
1911–12	26.96	34.3	16.16	20.5
1921–22	90.23	49.1	30.78	16.7
1931–32	124.60	45.8	41.17	15.2
1941–42	135.17	43.8	42.64	13.8
1946–47	259.59	45.0	80.78	14.0
1950–51	652.68	57.1	132.89	11.6
1960–61	2,340.91	68.0	287.71	8.3
1970–71	8,459.50	75.6	653.90	5.9
1980–81	30,772.39	81.7	1,516.93	5.4
1989–90*	78,657.02	83.5	2,860.38	3.0
1990–91*	..	87.9	..	2.4
1991–92*	..	86.4	..	2.7

Notes: Other sources are not included here. Community contributions include donations, endowments and 'other' sources.

* Only school education.

(..) Nil or negligible.

Sources: Misra (1962: 458–59); Tilak (1995a); MHRD (1993, 1994, 1995); Ministry of Finance (1998).

on the whole, it is possible that in the long run the countries that have depended upon external assistance for education might actually be spending less on education than those that relied upon their own resources (see Ilon 1994).

Following the classification of countries made by Kakwani, Makonnen and van der Gaag (1990), selected statistics are presented in Table 9.5 on a few *intensely adjusting*[17] (referred to here as simply 'adjusting countries') and *non-adjusting*[18] countries for comparison over a period covering about three decades since 1960. In the non-adjusting countries, impressive growth, or at least stability, can be seen in terms of the share of GNP allocated to education, while the adjusting countries are characterised by drastic fluctuations and overall deterioration in the same. For example, Ghana and South Korea, two adjusting countries, spent a much smaller share of their GNP on education in 1980 and later, than in 1960, while in

TABLE 9.5: Public Expenditure on Education as a Percentage of GNP in 'Adjusting' and 'Non-adjusting' Countries (%)

	1960	*1965*	*1970*	*1975*	*1980*	*1985*	*1990*	*1995**
Non-adjusting countries								
India**	2.3	2.6	2.8	2.9	2.8	3.4	3.9	3.5
Malaysia	—	—	—	6.3	6.0	6.6	5.5	5.3
Peru	2.7	—	3.4	3.5	3.1	2.9	..	3.8
Egypt	5.2	4.6	4.8	5.0	5.7	6.3	4.9	5.6
Botswana	—	4.4	5.2	7.2	7.8 (b)	7.7	7.6	9.6
Adjusting countries								
Ghana	3.5	4.1	4.3	5.9	3.1	2.6	3.1	3.3
Nigeria	2.0	2.3	—	4.3 (a)	6.1 (c)	1.2	0.8	1.3 (d)
South Korea	4.9	1.8	3.6	2.2	3.7	4.5	3.7	3.7
Philippines	2.6	2.6	2.6	1.9	1.7	1.4	3.0	2.2

Notes: (a) 1976; (b) 1979; (c) 1981; (d) 1993.
* The most recent estimate available in 1997.
** India became an adjusting country in 1990.
— Not available
(..) Nil or negligible.

Source: UNESCO (various years).

India, Malaysia, Peru and rather all the non-adjusting countries in Table 9.5, there was a reasonable and steady growth.[19]

This leads one to doubt the effectiveness of aid—does aid contribute to sustainable educational development or to an increase in indebtedness and donor dependency? The situation has become particularly grave, as international aid has not solved important and politically very salient educational objectives of developing countries (Weiler 1984; Verspoor 1990). The business concerns of the international aid community seem to conflict with the educational objectives of the developing countries.

Conclusions

Faced with a continuing prolonged financial crisis on the one hand, and a global trend towards a free-market philosophy on the other, there have been a series of waves of change occurring in financing education in the developing countries during the last couple of decades. Traditional approaches have given in, rather reluctantly, to modern approaches in a large number of countries. Many countries seem to be unwillingly becoming reconciled with the transformation of traditional approaches into modern approaches oriented towards free-market economy. During the first wave of change, the need for improvement in the efficiency of allocation of public resources was strongly felt. During the second wave of change, the focus shifted to the mobilisation of additional resources from non-governmental sources and a search for methods of supplementing governmental finances in funding education. During the current wave of change, the tendency to refuse to acknowledge the existence of externalities in education (for example, Arrow 1993)[20] and attempts to prove that education is not a public good, and that it can be treated as a private good (or as a 'publicly provided, private good'), are on the increase. The growing liberalism and free-market philosophy contribute to the adoption of business and even money-management approaches to education, which are necessarily dishonest and oblivious of social democratic concerns (see Bottery 1992; see also Marginson 1993). The market approach to education is also gaining currency in the context of globalisation and the role of education therein (Riddell

1996). The free-market philosophy tends to become so dominant that the very role of the State in financing education is being questioned, and theories in support of cost recovery in education are being written and rewritten. Attempts are also being made to shift from partial to full cost recovery in education. This current wave is one of the strongest, creating serious tensions between the *status quo* and change, threatening the very nature of education.

The free-market philosophy, that is, the benefit principle—those who benefit must pay—and especially the very notion that students should be asked to pay in full the costs of their education is potentially very dangerous to the very fabric of society. If students pay the full costs of their education, the relationship between students and educational institutions, and between students and the society at large, is affected. State-subsidised education inherently inculcates certain values, most important among them being respect for the nation-state, gratefulness and a feeling of responsibility to society. This feeling of obligation to the country is extremely valuable. In return, students, in large numbers, are willing to participate in the national development process in a variety of ways. They might be willing to (a) render national service[21] and (b) stay within the country, accepting wages/salaries lower than those they can obtain elsewhere, etc. For the students whose education is subsidised by the State, their very approach to society and its problems is different from those who have had to pay the full cost-price of their education. The values inculcated by a publicly financed and provided education system, and the contributions of the products of such a system to society, cannot be quantified, nor can they be expressed in monetary terms; they are, nonetheless, extremely valuable for the sustenance of society. A consumer who pays a shopkeeper the full cost of a normal good or service will not have the same relationship with the shopkeeper as one who was allowed a subsidised price on compassionate grounds. If parents expect children to pay in full for what they give to the children, or if through the loan programmes, parents abdicate their responsibilities of financing their children's education, there will not be any family relationships and the very institution of the family will be rooted out, as seems to be happening in several developed free-market economies, where market values determine human behaviour, not only in drawing rooms, but also in kitchens and bedrooms, and the quality of family relationships is cheapened.[22] After trading off the social, ethical and moral values for quick economic gains, by adopting business and even money-management approaches, we might realise the value of the 'paradise lost' and then begin to re-emphasise values and ethics in education, and introduce such courses in our curricula. Thus, neo-liberal arguments define social institutions like schools strictly in market terms and undermine social values, social institutions and relationships such as those in the family and between citizen and the society. While during the first two waves of change, there appeared to exist some scope for a convergence between tradition and modernity, such scope is being reduced during the present wave of change, and the free-market philosophy—a rather strong, if not an extreme form of, free-market philosophy—seems to be dominating the whole approach to financing education, with all its ill effects. These trends are strong in some countries and in some others, they are still in the offing. It is feared that gradually they may become dominant.

Endnotes

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[1] Some (for example, Colclough 1991) use the respective terms structuralists and neo-liberals; some others might like to refer to them as conservatives and liberals or moderns. See also Colclough (1996).

[2] For a recent, extensive discussion on the financing of, and various cost-recovery approaches to, education, see, among others, Tilak (1997a).

[3] For example, see Misra (1967) and Weizheng (1993) on ancient views on education in India and China, respectively.

[4] Even at the beginning of the twentieth century, it was argued in the Imperial Legislative Council of India that 'the money spent now (on education) will be well spent and assure to bring back a larger return to the treasury by the general prosperity of the people' (Desai 1953: 77).

[5] See, *inter alia*, World Bank (1986, 1988, 1994), Psacharopoulos and Woodhall (1985), Jimenez (1989), Mingat and Tan (1986) and Psacharopoulos (1990).

[6] As we see later, the argument is not confined to higher education. It is being slowly extended to primary education as well.

[7] See Majumadar (1983) for a discussion of the relationships between investments in the two domains.

[8] See also OECD (1990) that gives estimates of the share of State finances in the income of higher education institutions. The figures suggest that the State finances a very large part of higher education.

[9] The policy prescriptions of the World Bank (1988) on reducing government expenditure on higher education in Sub-Saharan African countries produced serious tensions between the World Bank and many African countries. For some mild accounts of these tensions, see the 'Symposium' in the *Comparative Education Review*, February 1989. See also Serpell (1993: 257). Similarly, Tilak (1996) presented an account of the differences between the policy prescriptions of the World Bank (1994) and Indian perspectives.

[10] For example, compare the *World Declaration on Education For All* (WCEFA 1990) and the *Delhi Declaration* (EFA Summit 1993) with the *Universal Declaration of Human Rights* (UN 1948), the *Rights of the Children* (International Year of the Child, 1979) and the *Convention of the Rights of Child* (UN 1989), among many UN and UNESCO resolutions.

[11] See also Psacharopolous (1990).

[12] See Bray (1987) for a description of such shifts in Nigeria, Ghana, Kenya, etc.

[13] The World Bank (1986) documented that in 21 out of 36 countries on which information was available, there were user charges in primary education. See Ainsworth (1984) for a description of the fee levels and policies in school education in a number of countries. See Tilak (1996) for recent evidence on India.

[14] Targeting of subsidies has been found to be necessarily inherently defective in developing countries, resulting in higher levels of omission of the deserving poor from the consumption of the same. This is found to be true even in case of food subsidies, where initial investments by the poor

are not a prerequisite (for example, Cornia and Stewart 1993; Parikh 1994), unlike in education, where initial investments by the poor are essential.

[15] However, with the sudden upsurge of the credit cards and financing schemes in the capital markets in the developing countries, a significant change in the attitude of the people is likely to be seen. Very significant changes have already been noted in case of East Asian countries. South Asian countries are a little behind in these changes.

[16] Bray and Lillis (1988) have documented similar evidence on a number of countries to show that community support for education became valuable when government finances for education declined.

[17] Intensely adjusting countries are those countries that have received three or more structural adjustment loans or completed two structural adjustment loan programmes by 1989, with lending starting in or before 1985. Other groups of adjusting countries, namely those that have received less than three structural adjustment loans before 1985, or those that have received adjustment loans after 1985, are not included here.

[18] Non-adjusting countries are those countries that did not need the IMF/World Bank type of adjustment programmes as of 1989, and had an increase in average annual per capita GDP growth during the period 1980–87. Another group of non-adjusting countries, that is, those who experienced negative rate of growth in GDP, are not considered here.

[19] See Tilak (1997b) for related details.

[20] When one examines trends in thinking on externalities, one is reminded of Adam Smith, who defined 'the fallacy' in his *Super Money* (quoted in Jodha 1988) as follows: The first step is to measure whatever can be easily measured—this is OK as far as it goes. The second step is to disregard that which cannot be measured or give it an arbitrary quantitative value—this is artificial and misleading. The third step is to presume that what cannot be measured easily is not very important—this is blindness. The fourth step is to say that what cannot be easily measured really does not exist—this is suicide.

[21] See Ziderman and Albrecht (1995) for documentation on the prevalence of national service in developing countries.

[22] Then, to promote family values, the UN and other organisations might celebrate, say, the International Year of the Family, as was attempted in 1994.

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EMERGING TRENDS AND EVOLVING PUBLIC POLICIES ON PRIVATISATION OF HIGHER EDUCATION IN INDIA*

The global trends in higher education in the last couple of decades can be summarised in one sentence: Higher education systems are in transition almost all over the world. What is the nature of this transition? New values, policies and practices have replaced traditional and well-established values, concepts and approaches. Social democratic visions are being replaced by market-driven policies. 'Marketisation' has become the buzzword. The role of the government is being 'reinvented'. As Neave (1996: 15) observed, 'new ideologies have ousted earlier perceptions'. Globalisation and internationalisation also have added to the momentum of spread of new values and approaches into even those societies that vehemently opposed market or capitalist views on education. The Indian higher education system could not withstand this strong global wave.

The 1990s marked a major turn in the history of contemporary higher education in India, when the Government of India adopted

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the structural adjustment policies in 1990 that were associated with the World Bank and the IMF, which are more conveniently referred to as economic reform policies. Many rightly felt that the World Bank's economic reform policies and privatisation were synonymous. Rather, privatisation, or a movement towards privatisation, became the most significant agenda of the Bank in every sector (Richardson and Haralz 1995). The underlying philosophy of these policies is that any aspect related to the public sector is inefficient, and any aspect related to the private sector is, *ipso facto*, efficient and desirable. Accordingly, privatisation is being pursued in all sectors of the economy, including in higher education, and is viewed as an effective measure of improving efficiency and as a measure of easing the financial crisis.

This chapter presents an account of the emerging trends in higher education in India and discusses the case for privatisation of higher education. A brief description of the higher education system is given in the following section, highlighting the growth of private higher education. Financial conditions seem to be the most influencing factor in favour of privatisation of higher education in India. The trends in public expenditure on higher education are briefly reviewed in the third section. A discussion is then presented on the recent trends in the growth of higher education, particularly in terms of policies relating to the role of the State and privatisation of higher education. Privatisation takes several forms. Some of the dominant forms of privatisation of higher education in India are described, followed by a discussion on the effects of privatisation on higher education and on society at large. The chapter ends with a short summary and a few concluding observations. As privatisation and financing are intricately interlinked, the discussion here focuses more on issues relating to financing and other closely related dimensions than on management and other aspects. In all, only a few important issues are selected here for discussion. The chapter does not pretend to be making an exhaustive analysis of the various dimensions of privatisation of higher education in India. The main aim of the chapter is to review the Indian experience, so that valuable lessons can be drawn for those countries that plan to privatise their systems of higher education.

Overview of Higher Education in India

In modern India, particularly since 1947 when India became independent, higher education has expanded fast and it is mostly public in nature. Today, India ranks fairly high in terms of the size of the network of higher education institutions. There are about 300 universities (including a few university-level institutions) and 9,000 colleges. There are indeed a variety of types of institutions of higher education in India, including universities, colleges, institutions deemed to be universities, institutions of national importance, research institutions, etc., as shown in Table 10.1. Many of these institutions, other than colleges, had the status of a university. The total enrolment in higher education was of the order of about 6.4 million in 1995–96. The teaching force numbered about 240,000. The total enrolment, however, formed only about 6 per cent of the relevant age-group (17–23) population.[1] In terms of scientific and technical manpower, India could become the third largest reservoir in the world. Compared to the situation that the country inherited from colonial rulers about half a century ago, these figures mark a phenomenal expansion of the system, as shown in Table 10.2.

TABLE 10.1: Higher Education Institutions in India, 1996–97

	Number
Universities	178
Institutions deemed to be universities	39
Institutions of national importance	11
Research institutions	65
Colleges for general education	6,759
Colleges for professional education	1,770

Source: *Selected Educational Statistics, 1996–97*, MHRD, New Delhi, 1997.

Such an expansion was possible, *inter alia*, due to the public financing of higher education. In relative terms, the share of the government in financing higher education has increased to about 80 per cent of the total expenditure on higher education, and the

TABLE 10.2: Growth in Higher Education

	1950–51	*1990–91*	*1995–96*
Institutions			
Universities*	30	177	207
Colleges	750	7,346	9,278
Enrolment ('000s)	263	4,925	6,425
Teachers ('000s)	24.0	272.7	310.6

Note: *Includes institutions deemed to be universities, but excludes other institutions.

Source: *UGC Annual Report 1995–96*, UGC, New Delhi; *Selected Educational Statistics* (relevant years), MHRD, New Delhi.

shares of all other sources have declined, as shown in Table 10.3. Such an increase in the role of the government in financing higher education has been necessary for the following reasons:

- Educational facilities available in the pre-Independence period were very insignificant. Independence has created an unquenching thirst for knowledge, resulting in an abnormal rise in the social demand for education, and the government had to shoulder the responsibility in a big way.
- Second, building up a new socio-economic system after the end of colonial rule required large-scale manpower with varied skills, and so the government could not but expand the education structure vertically. Correspondingly, the government had to expand educational investment rapidly.

TABLE 10.3: Sources of Funds for Higher Education (%)

	Government	*Fees*	*Others*	*Total*
1950–51	49.4	36.8	13.8	100
1960–61	53.5	34.8	11.7	100
1970–71	61.0	25.5	13.5	100
1980–81	72.8	17.4	10.8	101
1986–87	75.9	12.6	11.5	100

Source: Based on *Education in India* (various years), MHRD, New Delhi.

- Public policy towards equality in education led to the expansion of education horizontally. It involved huge subsidies to students, particularly those belonging to the socially backward and economically weaker sections, including the first-generation learners.
- The rise in individual earnings created a further growth in the demand for education. But the rise in the earnings was not so steep and rapid that government could reduce its share in investment in higher education. High levels of public subsidisation of higher education became a necessity.
- Lastly, the government has had to shoulder nearly the total responsibility for higher education as the private sector has not responded well to the growing demands for higher education.

Given the focus of the present chapter, we concentrate on the last issue mentioned above, that is, the role of the private sector in higher education in India.

Overview of Private Higher Education

Private education is not an altogether new phenomenon in India. Some kind of private system of education existed in India even during the ancient and medieval periods, like in many other Asian societies. Private higher education is not an exception. To start with, higher education used to be, in many ancient societies, largely with private individuals and organisations. Later, the State found it necessary to finance education, including higher education, as education was found benefiting the whole society and not just those who acquired it, and as, if left to private individuals, education would not develop at socially desirable optimum levels. Thus, governments entered into the education sector.

Even though discussions on privatisation have assumed much significance in the recent past, some kind of privatisation has been under discussion and practice for several decades in independent India, though the term 'privatisation' was not explicitly used as it was not regarded respectable in case of education. During the 1950s and 1960s, issues relating to the financing of education concentrated on improvement in efficiency in the allocation of public resources. During the 1970s, the problem concentrated around the mobilisation of non-governmental resources under various labels, such as diversification of resources, strengthening the resource base of higher education systems and mobilisation of non-governmental resources. It was only since the mid 1980s that the term 'privatisation' surfaced more explicitly, which can at least partially be attributed to the emphatic policy prescriptions of the World Bank (1994). Today, terms like even 'profit-making private institutions' and 'commercialisation of education' seem to no more be a taboo in policy discussions on higher education in India.

As in most other societies, both private and public sectors coexist in India but in varying degrees and types in various states. Higher education systems range widely—systems where private higher education is peripheral and public higher education dominant, to those systems where private higher education is rather massive in quantum. Until recently, India could be described as one belonging to the former category, with a dominant public sector and peripheral private higher education, though there was a sizeable private higher education sector, mostly supported by State funds. However, a private sector that does not rely upon State support started growing rapidly from the mid-1980s onwards.

While there are nearly 300 universities and other institutions of higher learning, including 'institutions deemed to be universities', there are no private universities *per se* at all.[2] There are a few specific private institutions of higher education that are recognised by the UGC as 'institutions deemed to be universities'. Such universities are very small in number—many of them were started by private individuals and organisations in response to specific educational needs, and later started receiving State support in terms of financial assistance.[3] Such institutions specialise in research and postgraduate education, and generally operate in selected fields. There are few institutions of the kind that completely rely upon their own private resources.[4]

In the college sector, which indeed accounts for more than 80 per cent of the enrolments in higher education in India, private institutions are large in numbers. With very few exceptions, colleges imparted undergraduate and degree-level courses, but postgraduate courses are not offered as widely. Of the 9,000 plus colleges, according to available estimates, two-thirds to three-fourths of them are private colleges.[5] Even in case of colleges imparting professional education, like medicine, engineering, dental sciences, nursing, etc., private colleges today outnumber government colleges.

Most private institutions are given financial assistance by the State and, hence, they are called 'private aided' institutions. Emergence of private institutions that do not rely upon State support in India, generally known as 'self-financing' institutions, is a very recent phenomenon, and coherent policies towards such institutions are yet to be formulated. Nowadays, the discussion on the system of private higher education is largely concentrated on the latter type, that is, self-financing institutions, as State-supported private institutions are largely akin to government systems of higher education in several respects, and they receive substantial State aid.

While many of the private colleges that were started in the 1950s, 1960s and even 1970s were largely State-aided private colleges, a good number of colleges started in the late 1980s and 1990s were mostly self-financing institutions.[6] Private individuals and organisations in the 1950s, 1960s and 1970s used to first prefer making voluntary donations and endowments to public institutions, and secondly, start their own colleges, which later received State support. Now, private individuals and organisations with even very negligible personal financial investments, tend to start their own self-financing institutions as they are found to be one of the best ways of making quick profits.

In all, there are 6.4 million students enrolled in colleges, universities and other institutions of higher education in India. According to the available estimates referring to the late 1980s, 57 per cent of the students in higher education were in private institutions and 43 per cent in public institutions. Most of the enrolments in private colleges are, however, in the State-aided private institutions. Enrolments in self-financing institutions are very small, if not negligible. The essential characteristic features and associated problems of the two types of colleges are discussed in a later section.

State Financing versus Privatisation of Higher Education

Quite a few important arguments have been presented in the literature against privatisation of higher education, as well as arguments clearly in favour of public financing of education, some of which have universally validity, such as education produces externalities; education is both a public and a merit good; there exist market imperfections, including specifically imperfections in capital markets; education is a valuable investment that contributes to economic growth, reduces poverty and improves income distribution; it is an important instrument of social mobility; etc. Under these circumstances, left to themselves, people will not be able to make adequate investments in education on their own, or markets will not be able to ensure adequate levels of education of the population, resulting in sub-optimum levels of social investment, causing huge social losses. Hence, the State should finance education. These arguments are applicable to all levels of education—primary, secondary and higher—though the degree of applicability may vary. For example, as mentioned before, while primary education is regarded as a pure public good, higher education is regarded as a *quasi*-public good. The externalities produced by the different levels of education are of different magnitudes, and since they cannot be quantified, it may not be possible to say whether they are greater at the primary level or at the higher level. Higher levels of education are also found to produce dynamic externalities that significantly contribute to economic growth, arresting diminishing returns (Romer 1986, 1990; Schultz 1988; Lucas 1988; see also McMahon 1997).[7]

On the other hand, the neo-liberals argue against State financing and clearly, and in favour of, privatisation of higher education on a variety of grounds. The two main arguments in favour of privatisation can be summarised in two phrases: 'excess demand' and 'differentiated demand' (James 1987). First, there exists excess demand for higher education, that is, over and above the quantum that the government can provide. It is also being increasingly argued that the government has no resources to meet the growing demand for higher education and, hence, there is no solution other than the privatisation of the system. For example, in India, it is felt that even if the Government of India could allocate 6 per cent of the GDP to education during the next five years (compared to the present level of less than 4 per cent) as repeatedly promised by the Government of India, significantly additional resources would not flow into higher education. As higher education would continue to suffer from inadequate public funds, privatisation would be unavoidable.

Second, it is argued that privatisation of higher education is important to meet differentiated demand. Government monopoly over the provision (although not necessarily of financing) of higher education, is thought not to lend itself to satisfying the popular demand of the people for diverse types and quality levels of higher education. Importantly, it is implicitly assumed that the quality of higher education provided by the government institutions is inferior to that of private institutions. Furthermore, privatisation of higher education is also favoured on grounds of efficiency, job market relevance, responsiveness to market signals and income distribution.[8]

All these arguments in support of privatisation require close scrutiny. We will, however, confine our attention to the first issue, that is, the rigidity of the government's ability to finance higher education and the private sector's role in meeting the excess demand for higher education, rather than its role in meeting the differentiated demand. It is clearly felt that it is excess demand, and not differentiated demand, that is important in case of the growth of higher education in developing countries like India, as few private institutions of higher education offer quality and type of education distinct from and superior to what public institutions of higher education provide (Chitnis 1993). Moreover, studies have already exploded many of these myths about the superiority of private higher education over public education in developing countries in terms of quality, relevance, effects on income distribution, among others (Tilak 1991).

Declining Government Expenditure on Higher Education

It is often stated that government's ability to finance higher education in India has reached a saturation point. It is beyond the scope of the present chapter to examine the macroeconomic context to find out whether the government has the ability to mobilise resources to adequately finance higher education or not. Recent trends in public financing of higher education in India do show a significant decline in the allocation of public resources to higher education and the declining priority being accorded to higher education. Some important trends are as follows (see Tilak 1993, 1996):

- The share of higher education in the total expenditure on education of the Union (central) Government declined from 32 per cent to 24 per cent between 1989–90 and 1994–95, and the corresponding figures relating to state budgets declined from 12.7 per cent to 10.8 per cent.
- The relative priority given to higher education in the allocation of resources in the Five Year Plans has fallen very significantly. While 14 per cent of the total education expenditure of the Seventh Five Year Plan (1985–90) on education was allocated to higher education, it decreased to 11 per cent in the subsequent two annual Plans (1990–92) and declined further to 7 per cent in the Eighth Five Year Plan (1992–97).
- In real terms, the annual plan (development) expenditure on higher education declined by about 15 per cent between 1989–90 and 1994–95. Even the non-plan (maintenance) expenditure declined by 12 per cent during this period, causing serious problems in maintaining even the *status quo* of the universities.[9]
- Declines in absolute levels of expenditure have been very steep in case of spending on research—both in case of general and technical education sectors, with the latter suffering more.
- The Union Government's expenditure on scholarships in 1994–95 declined to one-third of the level of 1989–90 even in current prices (in real prices, the decline was by four-fifths).

One could go into further details on the decline in public expenditure on higher education in India after the adjustment policies were introduced; however, the figures mentioned above are sufficient to conclude that the flow of public resources has been inadequate to maintain the huge system at pre-reforms-period levels in terms of quantity, quality and equity in higher education. An extensive study (Tilak 1996) has further shown that higher education has been subject to severe neglect—not only in terms of resource allocation, but also in terms of coherent policy and information.

A strong view seems to be emerging in India that higher education can be left to market forces, evidenced by the Government of India's (1994: 75) statement in 1994 that 'the higher education system in the country is now sufficiently developed to meet the nation's requirements. The unmet demand for higher education is not considered economically viable'. These trends in public expenditures and associated policy proclamations of the government are viewed by many as signalling the need for privatisation of higher education.

Emerging Trends and Evolving Public Policies

The Government of India (1993: 204) observed that 'higher education needs to be extended in an equitable and cost effective manner mainly by large scale expansion of distance education and increased involvement of *voluntary and private agencies*' (emphasis added).[10] Interestingly, only after the adjustment reforms were introduced did the government explicitly refer favourably to private agencies in higher education. None of the earlier reports on education, including the report of the Education Commission (1966), and the *National Policy on Education 1968* or *1986* (Government of India 1968, 1986), advocated an increased role of private agencies in higher education. In fact, it was observed that 'a large number of technical colleges have come up which charge sizeable capitation fee for admissions ... their activities should be curbed because they are providing access to education on the basis of economic status of the guardians and not on the basis of merit' (Government of India 1985: 98). This 1985 statement shows the nature of the government's concerns. However, the subsequent developments compelled the government to change its policies and adopt a positive attitude and approach to privatisation of higher education.

Privatisation of higher education in India takes several forms (Tilak 1991; also Williams 1996: 39–40). *Inter alia*, three forms are important: (a) privatisation of the system through an increased number of private institutions, and a stagnant number and declining proportion of public institutions in total, (b) actual privatisation of the existing public sector institutions of higher learning through the transfer of management from government to private trusts and (c) privatisation of the institutions through increased private financing, more fashionably referred to as cost recovery. All the three types of privatisation seem to have the government's formal and informal support and they seem to be growing rapidly in India, producing their own effects. However, there is no uniform, coherent public policy on privatisation of higher education.

As Guhan (1995) remarked, there are not one, but 26 governments in India—one Central Government and 25 governments in the states. Even though education is, according to the Constitution of India (amended in 1976), a 'concurrent' subject, with both the Union Government and the state (provincial) governments having the responsibility of providing it, practically it is considered as a state subject. As a result, government policies with respect to several aspects, including specifically toward privatisation, have been diverse. Mostly, the governments have taken a positive approach towards encouraging privatisation of all types. However, the specific policies and emphasis on various forms of privatisation vary greatly.

Growth in Private Colleges

The recent favourable approach to the emergence and growth of private colleges, including, more specifically, to self-financing colleges, is largely influenced by the increasingly worsening budgetary conditions, specifically declining allocation to higher education. As the State-aided private colleges do not ease the financial burden on the part of the government considerably, government seems to favour self-financing colleges. Let us briefly note the growth of these two types of private colleges.

State-financed Private Colleges: A Case of Pseudo Privatisation

The private colleges established earlier received substantial financial assistance from the states. Normally, colleges established under this model had to wait for generally 3–5 years (in some states, it was for shorter, and in other states, for longer, periods) before becoming eligible for financial assistance from the State. Further, many states provide assistance covering only the recurring expenditures, but not capital costs, though some states (and the UGC) do provide for capital costs after a given duration. Again, a majority of the states provide assistance towards the payment of salaries to teachers and the non-teaching staff, and some do not provide for the salaries of the non-teaching staff. Assistance is generally provided for many other, but not all recurring expenses, in all, ranging from 90 and 99 per cent of the total recurring expenditure. The colleges receive assistance for many activities that the government supports, as is the case with government colleges. With such a heavy share of public finances, these private colleges are, for most general purposes, treated as government colleges, except that their management lies with private individuals or trusts or organisations. Hence, at least on the basis of finances, they can be treated as *pseudo* private institutions.

Student fees in these State-aided private colleges were also subject to the regulations of the government. Generally, the fees are equal to the fees in government colleges. But this is with respect to tuition and examination fees only. Private colleges enjoy more freedom in case of levying several other kinds of fees, like registration fees, admission fees, college development fund, library fees, etc.

During the last two decades, recruitment and admission to these institutions have been regulated by the government to ensure quality and equity. In quite a few states, teachers are recruited even to the private aided colleges through a common qualifying/competitive examination conducted by public bodies. Not only are teachers' salaries set at the same level as teachers in government colleges, but they are also paid by the government directly through commercial banks, among others, so as to reduce corruption and the avoidable control of the management on teachers and enhance the autonomy of teachers. However, teachers in private aided colleges are not generally transferable to government colleges. In a few other states, teachers' recruitment to private colleges is handled directly by the concerned college. But in all cases, the salary discrimination between government college teachers and private college teachers is no longer allowed. Some of these developments, along with a few other reforms, were put into effect in response to complaints by teachers about the questionable practices being adopted by the administrative and management bodies of private colleges. In the earlier periods, in response to the teachers' loud protests, in quite a few states, a large number of colleges had to be taken over by the government.

As already noted, most such private institutions rely upon government finances to the extent of nearly 100 per cent of the recurring and even development expenditures. Even strong advocates of privatisation might agree that privatisation of education of this kind, with price controls and cost underwriting through State grants is a system worse than other forms of privatisation (Ravishankar 1989).[11] The voluntary or non-governmental organisations that rely heavily on government funds also belong to this category of privatisation.[12] These institutions are also found contributing to distortions in allocation of public resources, capturing a disproportionate share of the budgetary resources for themselves and leaving very little amounts for State-run institutions. In a sense, through the existing grants-in-aid mechanism, private enrichment and public pauperisation seem to prevail in higher education in India.

Many states began discouraging the growth of new private colleges under this model, essentially because of the negligible financial savings to the government. State support has practically been ruled out to new private colleges. Therefore, most of the newly born private colleges are self-financing colleges.

Self-financing Colleges: An Extreme Degree of Privatisation

Most recent approaches of the government seem to strongly favour the growth in the number of self-financing institutions. These institutions are less regulated by the government, with the government's role largely being confined to the recognition of the institution as an institution fit for providing higher education and approval of the curriculum and syllabi. This role is performed either by the government directly, or by the UGC or AICTE and/or through the universities, to which the college seeks affiliation for the awarding of the degrees. In most cases, examinations are conducted by the universities.

As these colleges do not receive any financial assistance from the government, they are subject to less rigorous control and enjoy considerable freedom in formulating financial policies—such as generating revenues and allocating and spending. For the most part, student fees are the single most important source of revenue. In fact, other sources are negligible in comparison. Not only the recurring costs, but even capital costs are gradually recovered from students in the form of tuition and other fees. Decisions regarding the allocation of resources, including fixation of salaries for teachers and others and fixation of student fees are mostly left to those institutions. In view of the questionable practices adopted by these colleges in these and other respects, the Supreme Court of India was compelled to intervene. The Court directed public bodies like the UGC, AICTE and Medical Council of India to formulate norms and guidelines to set reasonable levels of student fees in such a way that all costs, but no more than the costs, are recovered from students and to see that some (mostly token) provisions are made for students from social and economically disadvantaged groups. Yet, the self-financing colleges are associated with features that are dangerous to the very fabric of the society, as the fundamental base of these colleges is not academic values, but financial considerations. Since the growth of these colleges is being encouraged, we may critically examine the case for and against these colleges.

Illusory Benefits versus Veracious Harmful Effects of the Self-financing Colleges[13]

Private self-financing colleges have been favoured in India on the ground that these colleges tap the untapped resources available in the society and generate the much-needed resources for the development of higher, and advanced higher professional, education. They provide not only seemingly high quality higher education, but, at the same time, considerable financial relief to the government as well.

Nevertheless, many strong criticisms have been raised concerning self-financing colleges, both on theoretical and empirical grounds, a number of which can be summarised as follows:

- These private colleges perpetuate inequalities in the system. Economic inequalities accentuate inequalities in access to higher education, which in turn contribute to inequalities in occupational achievements, earnings and socio-economic spheres as a whole. This is the greatest danger posed by the self-financing colleges. No welfare state can afford this long-term cost. Even the strong proponents of even a mild form of privatisation of education admit that privatisation is 'socially and economically divisive' in nature and effect (for example, Psacharopoulos and Woodhall 1985: 144).

- An equally important consequence of the growth of private colleges is the massive erosion in the quality and standards of higher education. Economic ability to pay replaces merit criterion in admissions in higher education. Irrespective of the student's academic levels, he or she will be admitted, provided the demanded fees are paid.[14]
- If allowed, the private college system will eventually dominate the whole higher education scene (as shown later), if not replace the government college system altogether. Already, their numbers are sizeable in several states such as Andhra Pradesh, Karnataka and Maharashtra. Accordingly, the need for expansion of the public higher education system has been reduced. Higher education, now a 'public' or '*quasi*-public good', will turn out to be a luxury good, and the middle- and even upper-middle-income classes may not be able to afford it. It will turn out to be the monopoly of the rich.
- The rise of self-financing colleges will accentuate other social evils like an escalation in dowries, as dowries tend to include, in reality, the costs of education and of securing a job. Another social evil that would get further accentuated is corruption—economic, social and political—for example, the corruption involved in obtaining a sanction for opening of these colleges, teachers' recruitment and students admissions, among others.
- Lastly, these colleges, opened to make profits and with little consideration for national manpower needs, may create serious imbalances or mismatches between demand for and supply of professional manpower in the economy, as noted by the Supreme Court of India in case of medical manpower.[15]

Empirical evidence on all these aspects is known to everybody, though such evidence is not well documented.[16] From the point of view of the suppliers, motives of profit, influence and political power explain the growth of these colleges. Educational considerations hardly figure in this context, let alone social and national considerations like social justice, equity and efficiency. As a result, higher education is subject to vulgar forms of commercialisation. No surprise then if one terms these colleges as 'bastard colleges', born illegally doing legal business, or legally born to do illegal business (Singh 1983). They do provide financial relief to the government, though not to students and the community at large, in providing higher education, but at huge long-term economic and non-economic cost to the society (Kothari 1986). These colleges receive little public support. They charge huge donations and capitation fees running into a few lakhs of rupees per student,[17] and abnormal levels of fees, 10–50 times the fees in government colleges. Capitation fees have now been made illegal and fees are now formally fixed by the government.[18] However, huge sums of fees are still collected either formally or informally under various garbs. While other colleges are, by definition, non-profit institutions, these institutions not merely cover their costs, but also make huge 'quick profits', which are not necessarily reinvested in education. These practices cannot be checked, as there exist close links between the managers of these colleges and ruling politicians.

It may be noted that nowhere in the civilised world does one find the existence of such colleges charging such huge fees. As the Supreme Court of India (1992) observed, this system is 'wholly abhorrent to the Indian culture and heritage'. Hence, it is no surprise that occasionally, the courts in India deliver judgements against such colleges on a variety of issues, such as fees, students' admissions, teachers' salaries, teachers' recruitment/appointments and so on. Yet, quite a few state governments go on enacting laws encouraging the growth of such colleges.

Education in Shops

There is yet another set of institutions that are non-collegiate and non-university institutions, where higher education and training are imparted. These are private institutions that the government does not recognise as educational institutions. In fact, many of them are opened under the Registration of Shops and Establishments Act relating to shops and commercial establishments (Deshpande 1991). Unfortunately, there is no quantitative information on such institutions, though it is recognised that they are booming (Deshpande, 1991; Nair and Ajit 1984). There is a wide range of such institutions, ranging from teaching shops (tutorial/parallel colleges) to new colleges/institutions offering computer-related literacy/training, management institutions, institutions of fashion design/technology and so on. They are run completely on commercial principles and public bodies in education do not have any control on such institutions. Many of these institutions belong to the post-secondary level of education, but below the higher level of education.

To sum up, a rapid expansion has occurred of both types of private colleges—state supported and self-financing—in addition to the growth of unrecognised post-secondary institutions. While private aided colleges have grown rapidly during the earlier decades, in the more recent years, unaided or self-financing college are proliferating very fast in numbers. Information on the growth of these institutions is not available on the country as a whole.[19] But available evidence on a few states/universities clearly confirms trends in rapid growth of private self-financing colleges in recent years. As an illustration, the growth in the number of these colleges in the state of Andhra Pradesh is shown in Table 10.4. Compared to a situation in 1969–70 when no self-financing college existed, today there are 450 such colleges in the state, outnumbering the total combined number of government and private aided colleges. The 1970s saw an impressive growth of private aided colleges, which nearly doubled in number, but the slope of increase flattened later. Correspondingly, during the same period, the growth of self-financing colleges was phenomenal. Today, government colleges account for hardly 20 per cent, private aided colleges for 23 per cent and self-financing colleges for as high as 56 per cent of the total number of colleges.

Thus, the higher education system in the state of Andhra Pradesh is largely privatised. Similar trends could be noted in other states as well. For example, of the 27 engineering colleges in Madhya

TABLE 10.4: Growth of Colleges in Andhra Pradesh, India

	Government	*Private*			*Total*
		Aided	*Unaided*	*Total*	
1969–70	40	80	0	80	120
1979–80	64	147	1	148	212
1984–85	133	181	9	190	323
1989–90	147	182	33	215	362
1993–94	156	182	88	270	426
1996–97	167	187	450	637	804

Source: *Performance Budget of Andhra Pradesh, 1997–98*, Government of Andhra Pradesh, Hyderabad.

Pradesh, 15 are self-financing colleges; of the 665 colleges for general education, 92 are private colleges receiving state support and 160 self-financing colleges; and all these self-financing colleges were started during the last few years. Similarly, the state government of Delhi proposes that 50 per cent of the technical and vocational colleges be self-financed (*The Times of India* 1997).

Generally, higher education in India is financed by two major sources, the government (central and state) and the students (in the form of fees). Other sources contribute negligible proportions to the financing of higher education. This pattern is the same in government and government-supported private colleges. In case of self-financing colleges, students become the only source of revenues. Neither the government nor the rest of the society comes into the picture in any significant way.

Privatisation of Government Colleges

We have noted that the higher education system as a whole in India is getting privatised—it is not necessarily reducing the number of government colleges, but keeping such numbers stagnant, or with insignificant increases, and by encouraging the rapid growth of private colleges, both State-aided and self-financing. This is only one way. Indeed a more direct way of privatising the system is also in operation. Privatisation of the economic system takes place through public disinvestment in public-sector undertakings. Looking at the programme of the privatisation of economic sectors in India through public-sector disinvestment, many educationists have expressed apprehensions over government policies towards privatisation of higher education. To be sure, the Government of India has stated clearly, more than once, that higher education would not be subject to a similar type of privatisation. But privatisation of exactly this kind has been resorted to in quite a few states.

For example, the government of Madhya Pradesh has decided to transfer technical education institutions, medical colleges and even colleges for general education to non-profit autonomous trusts. The government might continue to provide grants-in-aid, initially for a few years, but these institutions are expected to raise a considerable level of resources, and eventually become self-financing. Already a good number of government colleges are being actually transferred to private non-profit trusts. In 1997, the government of Madhya Pradesh has transferred six medical colleges and their hospitals to non-profit autonomous trusts. Following the transfer, the fees were increased from Rs 600 per year per student to Rs 12,000. The government of Madhya Pradesh also plans to transfer all engineering colleges to private trusts. In 1994, the fees in the engineering colleges rose 12-fold in just one stroke. While such moves towards privatisation, that is, transferring government colleges to private trusts, are not so common in other states, it is feared that they too may catch up soon.

Cost Recovery Measures in Higher Education

A more widely prevalent approach towards privatisation relies on high levels of cost recovery in higher education. In practice, cost recovery mainly refers, to student fees only, while other measures like student loans are also generally discussed in the same context. The economic reforms policies have led to some kind of a polarisation of the otherwise weak arguments into a strong force in this context. For instance, one argument calls for the withdrawal of government subsidies in higher education to the extent of about 50 per cent (Rao 1992). Another proposal promotes a model according to which students would be required to bear the full costs of higher education, with the role of the government minimised to providing the minimum physical facilities Dandekar (1991). The Government of India (1994, 1997) has indicated that the subsidisation of higher education would be reduced by about 50 per cent within a few years.

Facing serious resource crunch, the Government of India appointed two committees on the mobilisation of additional resources for higher education—one for technical education institutions (AICTE 1993) and another for central universities (UGC 1993). The two committees have emphasised the need for higher education institutions to make special efforts to raise their own resources. Among the various measures to mobilise additional resources, the important ones suggested are as follows:

- Institutions should raise the student fee levels in such a way that about 20 per cent of the annual recurring cost per student is recovered from the students in the form of fees and other sources.
- The faculty of these institutions should be encouraged to participate in consultancy activities.
- Institutions should also raise resources from other internal and external sources, such as sale of output (goods and services), voluntary donations from industry and the community at large, and by diversifying their areas of activities and so on.

Following the formal freezing of budgetary resources for universities and colleges and in response to the above recommendations, many universities and other institutions of higher education have been required to reform their fee structures. Accordingly, there have been modest to steep increases in students' fees of various types—tuition fees, examination fees, admission fees, application fees, registration fees, etc.—in several universities and colleges. Quite a few universities and institutes of technology and management have already enhanced their user charges steeply for admission, entrance examination, tuition, examination, hostel and miscellaneous services like application forms, brochures and so on.[20] Effective from the 1997–98 academic year, the tuition fees in the IITs have increased from Rs 1,000 to Rs 12,000 per year. Recent estimates on cost recovery in higher education for the country as a whole are not available. According to the latest available evidence from the mid-1980s, nearly 15 per cent of the recurring costs of higher education are recovered from the students in terms of all types of fees. Corresponding figures of the most recent period for some universities such as Universities of Bombay (Mumbai) and Madras, are as high as about 50 per cent.

Along with general increases in fees, universities have also started responding to market demands to make quick financial gains. These responses include offering 'marketable' courses, such as hotel management, training on handling computer packages, fashion technology, etc., for which full or more than full-cost fees are charged from the students.[21] Since the aim is to quickly encash the demand for such courses, such courses are mostly short-term in nature and include training programmes. These courses are often referred to as self-financing courses.

In the same context, it is also important to note the shift in emphasis in the universities from higher education to training. For example, while computer engineering (hardware and software) has long been an important area of study in universities, universities are now offering courses in the use of computer applications and packages and mechanics of computers (assembling), as they are more saleable than the former ones. In the process, universities find themselves competing with training institutions that have emerged in the formal and informal sectors of the economy. Still, training courses in universities are preferred to those offered outside, not only because university training is relatively cheaper than that offered in commercial training institutions, but also, more importantly, because universities award 'recognised' degrees and certificates.

All these developments are highly dangerous to the growth of a proper higher education system. As Williams (1996: 52) observed,

> privatisation, unless supported by substantial endowments or significant public subsidy (the latter amounts to anti- or *pseudo*-privatisation) and quality and regulation, almost inevitably drives down costs until, in the theoretical economic sense, all 'rents' are reduced to zero. In practice, this means until all the resources of the university are devoted to the most profitable income generating activity open to it (words in parentheses added).

Left to market forces, if not the *laissez-faire* mechanism, state governments, universities, colleges and other institutions in India are working on several cost recovery measures in an *ad hoc*, incoherent and inconsistent manner, with short-term financial gains being given more importance than long-term socio-economic considerations and sustained development of higher education.

Effects and Associated Outcomes of Privatisation

The trends of privatisation are already producing serious effects on the various dimensions of the higher education system and society at large. Quantifiable effects include on quantity, quality and equity in higher education.

Since 'excess demand' for higher education exists, it is quite reasonable to assume that demand for higher education in India is rather inelastic to changes in fees. But the coefficient of elasticity is not zero; and demand is not, in fact, inelastic for all levels / types of higher education. For example, it has already been noted that steep increases in fees at the postgraduate and research levels in the IITs have been counterproductive, leading to a steep decline in enrolments by more than 37 per cent. The latest indications are that the IITs are having second thoughts on their fee structure at the postgraduate and research levels (*Delhi Times* 1997).

With the stress on cost recovery measures, many areas of study, including the humanities and social sciences, and even natural and physical sciences, have come under great pressure. Only the marketable areas of study may survive. With universities emphasising on revenue-generating courses of study, Darwin's law (of 'survival of the fittest') might come into operation and other areas of study, however important they may be, might fade away. If significant increases are made in fees for general education, it might push the enrolments from general education to professional education.

The trends toward privatisation have also created serious problems concerning equity in higher education. While the government is, to a great extent, able to ensure that protective discrimination policies of the government are followed in government colleges and government-supported private colleges, resistance to such policies is much higher in case of self-financing institutions. While the overall elasticity of demand may not be high, the elasticity may certainly be high for the economically weaker sections. In other words, under privatisation, even if the size of the total enrolments does not change, the composition might change in favour of the better-off sections of the society.[22]

Third, the government's inability to control the quality of education in private colleges is also being increasingly felt. The first choice of the parents and students in general is government colleges, and when students fail to get admission into government colleges, they seek admission in private colleges, where the admission criteria are relaxed for those who can pay heavily. Unfortunately, even the strong proponents of the private higher education systems call for the government to take the responsibility of regulating quality in private higher education institutions. But given the social and politico-economic factors, the government seems to feel severely handicapped in regulating quality in these institutions. Generally, once formal official recognition is granted to a private institution, which is not a very difficult process, the government is unable to enforce any of its conditions. This is true to some extent even in case of state-aided private colleges. Even State grants are not usually stopped or delayed for any reason. The massive erosion of quality in private colleges might push down the overall quality of higher education as a whole.[23]

Fourth, only a few state governments have been able to introduce, to reduce corruption and ensure fair practices are maintained in the recruitment of teachers in private aided institutions, reasonably good reforms, which are not highly effective. Many state governments find it difficult to introduce such reforms.

Fifth, conflicts arise between national manpower needs, and short-term market signals that influence private higher education institutions are found to have had serious impacts. The long-run consequences can include serious manpower imbalances—both shortages and gluts. This is evident from the estimates and corresponding recommendations made by professional public bodies like the AICTE and Medical Council of India with regard to the required number of colleges and manpower required by the economy, which are least cared for by the private colleges.

All of these problems are with respect to 'recognised' private institutions. The emergence of 'fake' universities and ghost institutions imparting higher education and awarding obviously fake degrees is yet another serious problem that is surfacing in big ways. As these institutions are not even 'recognised', the role of the government is practically nil in any aspect of these colleges. Occasionally, the UGC or the Association of Indian Universities (AIU) makes public announcements listing the fake universities and ghost institutions, only to warn the students and parents to be cautious.

Of all, the most important fears which are being proved true to a great extent concern the vulgar commercialisation of higher education, and playing on, rather exploiting, the vulnerability of 'gullible parents', with institutions charging exorbitant fees formally and informally, starting from application fee to examination fees and fees for grade sheets. The unparalleled greed of the private enterprise in higher education in India has unravelled. The 'carnal lust' (Neave 1996: 20) has become very clearly visible. Higher education is being viewed by the private enterprise as a very attractive investment yielding huge quick profits. Further, students paying exorbitantly high fees are obviously unlikely to feel any dedication towards national interests such as public service, service in rural areas, or service of the poor, etc. No wonder—the products of carnal lust cannot be expected to be otherwise. This has been the most harmful effect on society.

The many legal battles being fought in the high courts and Supreme Court, and the detailed instructions that the courts issue frequently to public bodies, suggest some kind of a serious malaise with the private higher education institutions in the country that have little concern for equity criteria, principles of efficiency, norms of educational excellence and, most importantly, the cherished national goals and ideals.

The cost recovery measures introduced in public institutions also have similar effects on the quantity and equity dimensions of higher education. All cost recovery measures are necessarily regressive, and scholarships and loan programme have not been proven to be effective antidotes to the regressive effects of cost recovery measures.[24]

In the whole process of privatisation, universities might well become more and more 'efficient', but the important question, as Neave (1996) raised it, is: 'efficient to do what?'. Institutions become financially efficient, generating more and more resources, but in the process, lose sight of their main academic goals and objectives. Activities that were hitherto peripheral to the universities tend to become dominant activities of the universities. Universities tend to undertake increasingly more and more commercial and quasi-commercial activities, such as consultancy, sale of physical products and services, publication of books, training, and so on. Herein lies the great danger of privatisation to the very development of higher education in India.

Concluding Observations

Privatisation can be seen as one important element of the process of 'globalisation' and 'internationalisation'. Once the Government of India has explicitly adopted the policies of globalisation, the policies of privatisation have followed in turn. Meaningful and coherent long-term policies with regard to private higher education in India are still in the stage of evolution. But the government seems to be thoroughly confused on the explicit specific policy to be adopted.[25]

In this chapter, a modest attempt has been made to critically examine the trends in the growth of higher education and changes in public policies on higher education in India over the last decade or so. The account presented is not an exhaustive one. In fact, only a few selected issues have been considered here. The emerging trends and changing public policies in higher education in India are somewhat similar to those in many developing countries that are in transition, and they are summarised in the form of a table (see Table 10.5).

The approach to the planning and financing of higher education in India is changing from one that can be described as a welfare-state approach to one dominated by market philosophy. Private higher

Table 10.5: Trends in Policy, Planning and Financing of Higher Education in Developing Countries

Conventional system	*Emerging system*
Welfare approach	Market approach
Public higher education	Mixed and private higher education
Public financing	Private financing
Private: State-financed institutions	Private: self-financing institutions
Private: government-recognised institutions	Private institutions requiring no government recognition
Private: degree-awarding institutions	Private: non-degree (diploma/certificate) awarding institutions
Private: philanthropy and educational considerations	Private: commercial motives; profit motives
No fees	Introduction of fees
Low levels of fees	High levels of fees
No student loans	Introduction of student loan programmes
Commercially ineffective loan programmes—no security; high default rates. But based on criteria of educational qualifications and economic needs	Effective/commercially viable loan programmes: security/mortgage Expected high recovery rates Based more on commercial considerations
Scholarly/academic disciplines of study	Self-financing/commercially viable/profitable disciplines of study
Emphasis on formal/full-time education	Open/distance/part-time education
Selection criteria for heads of institutions: academic background	Selection criteria for heads of institutions: expertise in financial/money management; and in resource generation

education is emerging in different forms that represent a big change from the large public system and a State-supported private system that has prevailed all these years. Current climate favours the growth of self-financing institutions requiring no government recognition and charging high levels of fees. Indeed, many private institutions are influenced more by commercial and profit motives than by goals of education, philanthropy, service and charity. Public institutions are also changing their policies in favour of high cost recovery. Fees in public institutions are being increased; student loan programmes managed by commercial banks have been introduced.

This overview of trends, while not exhaustive, is indicative of the broader picture. The features listed in Table 10.5 under the two categories, 'conventional system' and 'emerging system', include some of the changes that have taken place and some which are slowly taking place in some parts of the country. Neither of the two systems is final in any sense.

The economic reforms policies introduced at the beginning of the 1990s have strengthened, if not actually contributed to, the tendencies towards privatisation of higher education. The review here focused on three forms of privatisation, namely (a) opening new private colleges with and without State support (mostly without State support), (b) transfer of government colleges to the private sector and (c) privatisation of public education through cost recovery measures.

What are the lessons that one can learn from the Indian experience and the recent attempts by India to reform higher education? The review of the Indian experience provides a strong case against privatisation of higher education, highlighting the distortions it creates in the higher education system and society at large. As has been found here, all forms of privatisation have the potential to produce serious disequilibria in the system. The adverse effects can be particularly serious on the quantity, quality and equity dimensions of higher education, in addition to its effects on the society at large. The role of private institutions—both State-supported and self-financing—can be extremely limited in the development of higher education and in the financing of higher education. Aggressive cost recovery measures might retard the growth of higher education, particularly when the needs of the society in terms of more and more high-skilled manpower increase during the phases of globalisation and increased international competition. Further, it is felt that a very rapid growth of the private self-financing higher education system in such a short period might not be desirable and even sustainable in the long run. Basically, the limits to privatising the higher education system have to be recognised. This is the single most important warning the Indian experience can provide to other developing countries intent on rapid privatisation of their higher education systems.

The role of higher education is reinterpreted and redefined in many developing countries. Traditionally, higher education was viewed as essential in creating and diffusing knowledge, as well as in providing training in key professions. Rather, the expansion of the frontiers of knowledge was regarded as the most important function of education. The Vedic values in ancient India and the Confucian tradition in Chinese society assigned high esteem to knowledge for its own sake, as knowledge was considered wealth. Second, higher education is also considered an instrument of personal development of individuals, besides adding to the stock of human capital by improving skills and knowledge of graduates, expanding intellectual horizons of individuals, their interests and potential, and empowering individuals to have a better quality of life, as contemporary sociologists and psychologists argue. Third, higher education is viewed as an instrument of social engineering, socialising individuals to the values of the society—social, ethical, cultural and political, so that societies become more virtuous with more and more higher educated people (*à la* sociologists like Émile Durkheim). Lastly, the human capital theorists place emphasis on the role of education in the transformation of human beings into human capital, an instrument of production and economic growth and, thereby, economic well being of the people and societies (*à la* Theodore Schultz and Gary Becker). Many institutions of higher education in the contemporary period have aimed at serving all these functions. Now, with privatisation, all these functions have been replaced with financial motives, such as financial efficiency, measured in terms of revenue generation. It is important that the policies on higher education necessarily take into account the main objectives and functions of higher education seriously. There is a danger that the myopic might view privatisation, a strategy (not necessarily a desirable strategy) of development of higher education, as the sole objective itself. Let not short-term problems and gains dictate the long-term perspective of higher education systems.

Endnotes

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[1] The corresponding ratio in developed countries was, on average, above 40 per cent, and in the developing countries 7 per cent. See Tilak (1997b).

[2] Recent public efforts, have, however, been directed towards enabling private organisations to open self-financing universities. A bill was under the consideration of Parliament in 1995 in this regard, and it elapsed due to change in government. Another proposal to start a university by the state government of Delhi on a self-financing basis is in process. There are quite a few similar proposals in other states as well.

[3] For example, the Tata Institute of Social Sciences (TISS) and Birla Institute of Technological Sciences (BITS) belong to this category.

[4] In the very recent past only one such private institution that totally relies on private finances was accorded the status of an institution deemed to be a university (namely the Manipal Academy in medical sciences).

[5] Precise information on an all-India level for the recent years is not available. Available information on a couple of states is analysed in the later sections.

[6] Such colleges imparting specifically professional education are commonly known as 'capitation fee colleges', as they charge the students a huge capitation fee that generally covers more than the costs. There is no exact definition of 'capitation fees'. But it refers to the very high levels of fees charged legally, or more often illegally, in self-financing private colleges for the admission of a student. In principle, capitation fees were banned by the Government of India in 1994, based on the proposal of the Supreme Court. Yet, the practice has not actually vanished.

[7] Johnson (1984) noted that the externalities in higher education were so high that the higher education of even the rich could be justifiably subsidised by taxing the poor.

[8] For example, it is argued: 'The existing and projected difficulties of public budgets should not be the sole context in which the financing of higher education is discussed. It is timely to discuss these problems from the point of view of shifting the burden for expansion of higher education from public to private sources' (UNESCO 1995: 27). UNESCO, however, does not cite the other factors.

[9] Faced with the task of management of the university, given the rigid stand of the government in releasing funds, a vice-chancellor (of the University of Delhi) opted to resign.

[10] See also Government of India (1995: 26).

[11] Quoted in Sen (1993: 182).

[12] In this context, it may have to be noted that every new college recognised and affiliated to a university, whether it receives State finances or not, not only cannot be subject to quality control and fair practices of management, but also that every such institution has a legitimate voice in the running of the university system in the country.

[13] This section partly draws from Tilak (1992). See also Tilak (1994).

[14] Further, a given number of student places are available to the highest bidders, under a reserved category called 'management quota'.

[15] For example, the growth of these private colleges was found to be against the recommendations of the professional bodies like the Indian Medical Association, regarding the supply of and demand for medical manpower.

[16] For example, see Rekha Kaul (1993) for a detailed description of the problems involved in case of the capitation fee colleges in Karnataka.

[17] Compared to Rs 5,000–125,000 in 1980–81 (Kaul 1993), capitation fees in the colleges amounted to over Rs 1.4 million per student ('Money and Merit', editorial, *Times of India*, New Delhi, 3 August 1992). It is impossible to imagine that an average Indian whose per capita income is Rs 8,000 (in 1994) can afford to pay such a level of fees.

[18] The fees (low for meritorious students and high for less meritorious students) are fixed by the government and the fees for the less meritorious students are very high compared to the fees in government colleges. The total income from fees is expected to meet the financial needs of the college.

[19] Earlier official statistical publications of the MHRD used to give detailed data on the number of private aided and unaided colleges separately. Later, they were merged into one category and, nowadays,

data are hardly available on government and private colleges separately. Further, researchers and public policy planners, not to speak of students and parents, find it extremely difficult to get any authentic information on any aspect of the private colleges from those colleges. In fact, it is generally felt that private colleges succeed by concealing information, not only on the policies and practices they adopt, and quantitative information like the background of the students, financial contributions of the students, number and qualifications of teachers, etc., but also on whether the college and the degrees it offer are recognised by official bodies or not.

[20] For example, the application / registration fees for admission in many public, not to speak of private, institutions has been fixed at above Rs 500, which used to be available earlier for one-fiftieth to one-tenth the same price, if not free of cost.

[21] As Béteille (1995) argued, these courses are probably important, but they cannot form the functions of an institution of higher education such as a university; these courses are better offered outside the university system.

[22] This is despite the fact that a dual-fee system has been introduced in private colleges—low fees for the meritorious students and a high fees for the less meritorious students. The dual system of fees is not based on the variations in the economic ability of students.

[23] This phenomenon is well experienced in countries like the Philippines.

[24] See Tilak (1997a) for an elaborate discussion on the experience of developing countries with cost recovery measures in higher education.

[25] For example, the MHRD was reported to have made, in a meeting of the synergy group on education constituted by the government, three rather inconsistent statements in one go—that higher education would not be privatised; that the private university bill was under the consideration of the government; and that private initiatives would be sought for the expansion of higher education (*The Times of India*, 25 July 1995).

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— eleven —

PRIVATE SECTOR IN HIGHER EDUCATION

A Few Stylised Facts[*]

Public education is the foundation of the prosperity of the nation ...

—Antonio Garcia Cubas (1893)

⁂

The issue of the modern private sector in higher education has been the most dominant feature of the rapid growth of higher education in India during the last quarter century. While analysing quite a few important dimensions of private higher education, which I attempt to present as a set of stylised facts in this chapter, I draw upon some of my earlier research on this issue. Second, though the focus here is on India, I refer to other developing and developed countries, from which, I feel, valuable lessons can be drawn. Let us start, however, with presenting a broad overview of the growth of higher education in India as it developed over the last century and a half and, more specifically, during the post-Independence period.

[*] Reprinted from *Social Change* 39 (1) (March 2009), 1–28.

Growth of Higher Education in India

The150th year of the First War of Independence also marks the150th year of the modern university system in India. The century-and-a-half history of modern higher education is a saga of spectacular achievements and conspicuous failures. Ancient India had great and world-renowned institutions of higher education, such as Nalanda University, Takshashila (also known as Taxila) University and Vikramshila University. These universities had glorious records as centres of higher learning and attracted scholars from not only the regions of India, but also from several parts of the world, particularly from China and the East Asian countries. In the modern period, the first three universities, namely University of Bombay, University of Calcutta and University of Madras, were set up in 1857, respectively, in the port cities of Bombay (now Mumbai), Calcutta (now known as Kolkata) and Madras (now known as Chennai). The growth in university education was very slow during the pre-Independence period. After the establishment of the first three universities in 1857, it took 30 years to set up the fourth—University of Allahabad—and it took nearly another 30 years for the fifth and sixth universities—University of Mysore and Banaras Hindu University—to come up. At the time of Independence, there were 20 universities and about 500 colleges with enrolment of less than 1.5 lakh. In contrast, the growth of higher education during the post-Independence period has been remarkable. According to the statistics available, there were nearly 400 universities and 18,000 colleges in 2005–06, with student enrolments of over 1.2 crore and 4.7 lakh teachers. The quantitative growth is itself, as shown in Table 11.1, noteworthy for a newly independent and developing country like India.

With this quantitative explosion, the Indian higher education system has become one of the largest education systems in the world, helping the nation build the third largest reservoir of scientific and technical manpower. With the rapid growth in numbers, the higher education system has been transformed from an extremely elitist and restricted system, as inherited from the colonial rulers at the time of Independence, to a highly democratised one. The system can no longer be described as elitist—nearly 40 per cent of the students in higher education are women and a sizeable proportion of the students belong to the socio-economically weaker strata of society.

TABLE 11.1: 60 Years' Growth in Higher Education in India

Year	*Colleges for*			*Universities***	*Enrolment (million)*
	General education	*Professional education**	*all*		
1947–48	—	—	516	20	0.2
1950–51	370	208	578	28	0.2
1960–61	967	852	1,819	45	0.6
1970–71	2,285	992	3,277	93	2.0
1980–81	3,421	1,156	4,577	123	2.8
1990–91	4,862	1,765	6,627	184	4.4
2000–01	7,929	2,223	10,152	254	8.6
2007–08	10,337	5,632	18,064	421	11.8

Notes: * Includes engineering, technology, architecture, medical, law, education colleges, etc.

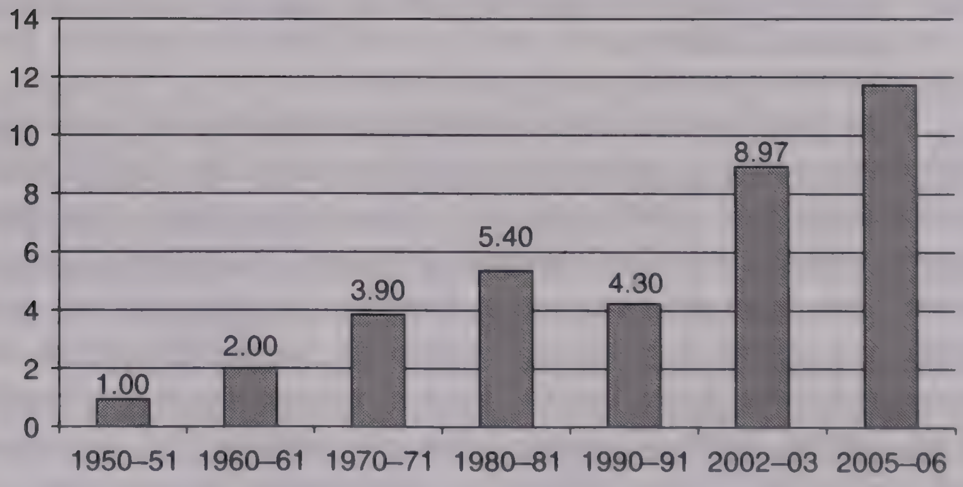
** Includes deemed universities and institutions of national importance. Minor discrepancies exist between the MHRD and UGC data, for example, in the total number of colleges in 2004–05.

Source: MHRD (b) and UGC (2006); the 2007–08 figures are from unpublished sources of the MHRD.

The system has also some important institutions of excellence, with institutions and universities of high standard, like the IITs, IIMs, central universities, institutions of national importance, specialised laboratories, etc. Another important feature of the higher education system has been its richness in diversity, in terms of not only public and private institutions, universities, special institutions and undergraduate colleges, but also institutions catering to the demand of the diverse kinds of communities and cultures. The growth in higher education has contributed to 'self-reliance' in manpower and also in various socio-economic, technological and political sectors of development, as well as in the overall socio-economic development of the nation. Further, though from a national point of view, higher education is associated with brain drain and loss of scarce resources, financial and human, from the global point of view, India supplies highly skilled scientific and technical manpower to the world market, produced at a relatively low cost. The growth of higher education has also helped the country ensure political stability and sustenance of the democracy. These are no mean achievements of the Indian higher education system.

At the same time, the higher education system also suffers from quite a few maladies. The system is beset with poor quality and standards, with hardly any university or institutions figuring prominently in world rankings; a high degree of regional and also socio-economic inequalities; severe under-representation of weaker sections; and overall inadequacy. First, let us look at the overall inadequacy. The 14 million students in higher education constituted just 11.6 per cent of the relevant age-group population in 2005–06. In fact, the gross enrolment ratio[1] in higher education is just around 12 per cent. The ratio did increase 10-fold, from about 1 per cent at the inception of planning in the country, that is, in 1950–51, to about 12 per cent in 2005–06—a 10-time increase in 55 years of development planning in the newly independent country (Figure 11.1).

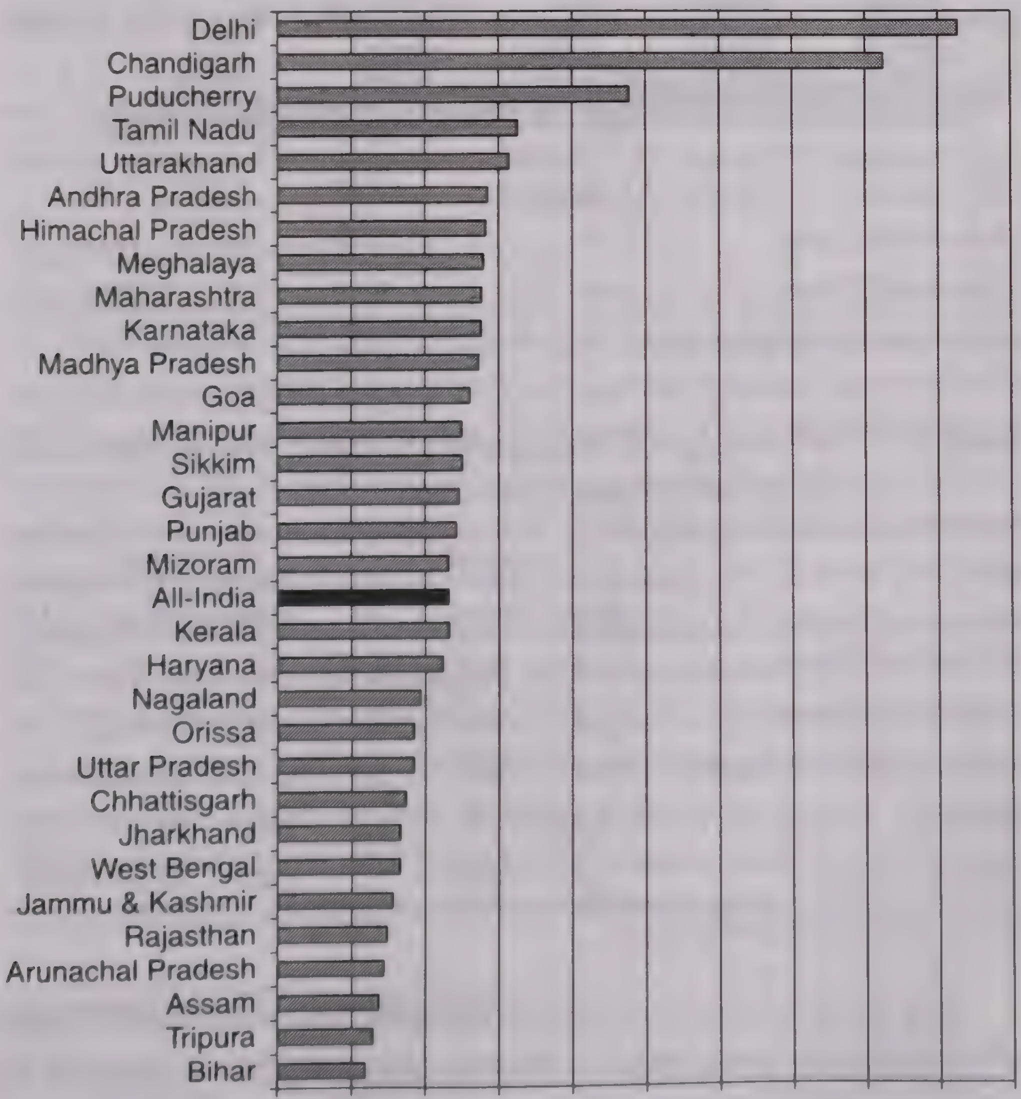
FIGURE 11.1: Progress in Gross Enrolment Ratio in Higher Education in India (%)



Source: Based on MHRD (a) and (b).

While this 12-fold increase may look impressive, it is clearly recognised that this is not adequate for a developing economy aiming at a sustainable high rate of economic growth to meet the challenges of globalisation and increasing degree of international competition, to reap gains from globalisation, to realise Vision 2020 and to build a knowledge society of the twenty-first century. Hence, the system needs to be expanded. Second, the growth in higher education has not been even across all the states, as shown in Figure 11.2. The inter-state disparities in the development of higher education are very wide and they also seem to be increasing over the years. The gross enrolment ratio ranges between less than 6 per cent in Bihar and above 40 per cent in Chandigarh and Delhi in 2005–06. In as many as 14 states, the ratio is below the national average of 10 per cent.

FIGURE 11.2: Gross Enrolment Ratio in Higher Education, 2005–06



Source: MHRD (b), 2005–06.

In rural areas, hardly 2 per cent of the adult population had higher education in 1995–96, according to the 52nd round of the NSS, while the corresponding ratio was 11.2 per cent in urban areas (an all-India average of 4.2 per cent). The system also needs to be expanded, as there is need to improve not only overall access, but also the access of the socially and economically weaker sections of the society to higher education. Inequalities between socio-economic groups of the population are high (Table 11.2). The gross enrolment ratio in higher education among women of Scheduled Tribes was below 7 per cent in 2005–06, with the overall enrolment ratio being 12 per cent. Among males of the general population, the corresponding ratio is 13.6 per cent.

Table 11.2: Inequalities in Gross Enrolment Ratio in Higher Education, 2005–06 (%)

	All	*Boys*	*Girls*
All	11.61	13.63	9.37
Scheduled Castes	8.39	10.16	6.42
Scheduled Tribes	6.61	8.59	64.69

Source: MHRD (b), (2005–06).

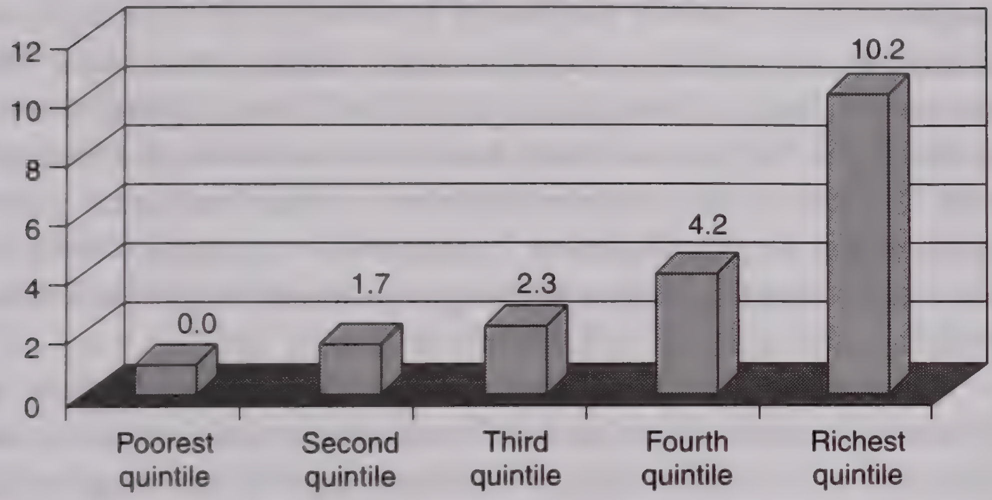
Table 11.3: Percentage of Population (7+) with Higher Education, by Social Groups, 1999–2000

	Rural			*Urban*		
	Male	*Female*	*All*	*Male*	*Female*	*All*
Scheduled Tribes	1.2	0.2	0.7	9.1	4.7	7.0
Scheduled Castes	1.3	0.3	0.8	4.1	2.0	3.1
Other Backward Castes	2.1	0.6	1.4	1.1	3.7	5.5
Others	4.4	1.4	3.0	18.2	12.7	15.6
All	2.6	0.8	1.7	12.7	8.2	10.5

Source: NSSO (2001), 55th round.

As a result of low enrolments, the adult population with higher education also constituted a microscopic proportion among the socially backward sections of the society (Table 11.3). For instance, according to the 55th round of the NSS, only 0.7 per cent of the Scheduled Caste and 0.8 per cent of the Scheduled Tribe adult population living in rural areas had higher education in 1999–2000. The ratios were even lower in the case of women.

FIGURE 11.3: Percentage of Adult Population with Higher Education, by Economic Levels, 1995–96



Source: NSSO (1998), 52nd round.

Further, we also find a high degree of inequality in the levels of attainment of higher education by economic levels of the population. For example, according to the 52nd round of the NSS, barely 1 per cent of the adult population belonging to the bottom expenditure quintile has higher education; the ratio systematically increases by increasing economic levels—this being 10.2 per cent in the richest quintile—exhibiting a clear systematic correlation between economic hierarchy and the level of higher education attainment.

Thus, the need for expansion of higher education is obvious—to increase the overall level of education attainment of the population, enhance the access of the weaker sections to higher education, thereby improving equity in higher education, and, in all, the nation as a whole to reach a higher level of development.

Privatisation of Higher Education

While many tend to agree with the diagnosis of the situation and the need to expand higher education, as described above, there are differences with regard to the policy approaches needed for expansion. While some feel that the government has the ability to further expand the higher education system and improve educational opportunities for all, some strongly believe that the resource position of the government will not allow it to expand public higher education any further; they even argue that government subsidies to higher education will have to be drastically reduced, if not eliminated altogether. In the present neo-liberal framework, there emerges yet another strong school of thought, which argues that even if the government has the resources, it is not an efficient proposal for it to expand public higher education. Instead, privatisation of education is the effective method to enhance access to education and improve equity and quality in education, besides answering the problems of resource scarcity on the part of the governments (World Bank 1986, 2002).[2]

The former school of thought argues that it is not the lack of resources, but lack of political will and absence of faith in higher education as an instrument of development that are responsible for the decline in the public budgets for higher education (Tilak 2003, 2004a). The argument that the government does not have the money for education gained support as the significant decline in public budgets for higher education in the country is widely noted. This has resulted in deterioration in the quality of education and the adoption of several questionable measures of cost-saving, including non-recruitment of the teaching and non-teaching staff members in institutions of higher education. Also, attempts are simultaneously made to raise the levels of cost recovery in education, essentially through increase in student fees. Though all these aspects are important, I concentrate here on the issue of the privatisation of higher education and show, by drawing wider attention to the empirical underpinnings of the debates on this issue, how fallacious the arguments forwarded in favour of privatisation are. One can note the current types of privatisation of education to include:

(a) Setting up of private institutions of the following kinds:
  - self-financing private institutions,
  - profit-making private institutions and
  - unrecognised (unrecognisable) institutions.

(b) Privatisation of public institutions by handing over the management of public institutions, or several user services in public institutions, to the private sector.

(c) Financial privatisation, essentially increasing rates of cost recovery through
  - raising of student fees in normal courses of study,
  - introduction of self-financing courses and
  - introduction and increase of user charges.

We concentrate mainly on the Type (a) here—the growth of private institutions. It may be important at this stage to note that there is a significant change in the current pattern of growth of higher education institutions in the country, as shown in Table 11.4. Higher education institutions mainly include universities, institutions deemed to be universities and colleges. There has been no noticeable growth in the number of public institutions—universities or colleges—in the recent period. A large number of institutions deemed to be universities are being set up. In 2004–05, there were 96 such universities and many of them have come up only recently over the past few years. In 2001–02, there were only 52 such universities. There was a sudden increase. Quite a few existing institutions (like regional engineering colleges), and also several *de novo* institutions, were given the status of institutions deemed to

TABLE 11.4: Present Pattern of Growth of Higher Education in India

Type of institutions	*Growth in numbers*
Public universities	Not growing
Private universities	Emerging on the scene
Public universities (deemed to be)	Not growing
State-supported private universities (deemed to be)	Not growing
Private universities (deemed to be)	Growing rapidly
Public colleges	Not growing
State-supported private colleges	Not growing
Private colleges	Growing rapidly
Foreign institutions	Emerging on the scene

be universities. A majority of the new institutions deemed to be universities is private. In fact, as the setting up of private normal universities has been an unclear process, many have taken the shorter route of opening private deemed universities (Powar 2004). There were more than 16,000 colleges in 2004–05,[3] but nearly two-thirds of them are private colleges. There has virtually been a halt in the growth of private colleges that are financially supported by the government, as the resource-starved state governments have decided against allowing any more such colleges. In contrast to all this, there is a rapid proliferation of private self-financing colleges all over the country.

The growth of various types of private education institutions in the country has been erratic and unbridled. Private self-financing colleges are growing in number; private universities are slowly emerging, largely because public policies towards private education are in a confusing state in India, like in many countries. Policy announcements are made either out of compulsion following the adoption of the new economic reforms policies or, rarely, out of conviction. Some policies are strongly supportive of the public sector and are anti-private; some intend to regulate the growth of the private sector; and many policies can be described as policies of *laissez-faireism*, which, in effect, work as pro-private (Tilak 2005a). In fact, the government seems to be terribly confused about the role of the private sector in education. The government says 'yes' and also simultaneously 'no' to private education. For example, even a cursory look at the recent public policy documents reveals the extent of the confusion in solving the dilemma: 'To privatise or not to privatise higher education'. Several contradictory policy statements have been made by planners and policymakers. For example, the government has often stated that in the present context of the changing development paradigms, privatisation of education has to be accepted, but not the commercialisation of education, though it recognises at the same time that it is difficult to make a tenable distinction between privatisation and commercialisation. Realising the strong adverse effects of privatisation of higher education, it is stated often that private participation in education should be encouraged, but not privatisation. At some other time, the government finds private participation in education undesirable, but favours public-private partnership. Or, privatisation is argued to be acceptable but not profit-seeking private education; 'profit' is an unacceptable term in education. But it is also stated that a reasonable level of profits may have to be allowed as, after all, it is the private sector, but not 'exorbitant profits'. Following a judgment of our judiciary, it is also felt that profit has no place in education, but 'surplus' is alright.

The confusion has essentially been fuelled by the strong forces of markets—domestic and international—and international organisations such as WTO and GATS on the one side, and social and political forces within the country on the other. As a result of such a terrible confusion, the government is not in a position to make any clear policy on private higher education, and even on higher education in general (Tilak 2004a). Even when there is no clear policy on private education, cuts are inflicted on public investment in education and an overall policy neglect of higher education by the government can also be seen, all of which contribute to the growth of private education. The growth of private education, in turn, justifies an increase in public apathy. Thus, public apathy and growth of private education are mutually related in a cyclic way.

Realising the potential problems that the private education creates, the government proposed to formulate a comprehensive 'regulatory' framework for private education, as no such framework existed but for the 'codes' for private aided institutions and limited and fragmented provisions made occasionally in the form of executive orders relating to fees, admissions, etc., in other institutions, by the UGC, National Council for Assessment and Accreditation and state governments, many of which do not have any teeth. But the government is not clear about whether to formulate a *regulatory* framework or a framework that *promotes* the growth of private higher education.

Stylised Facts

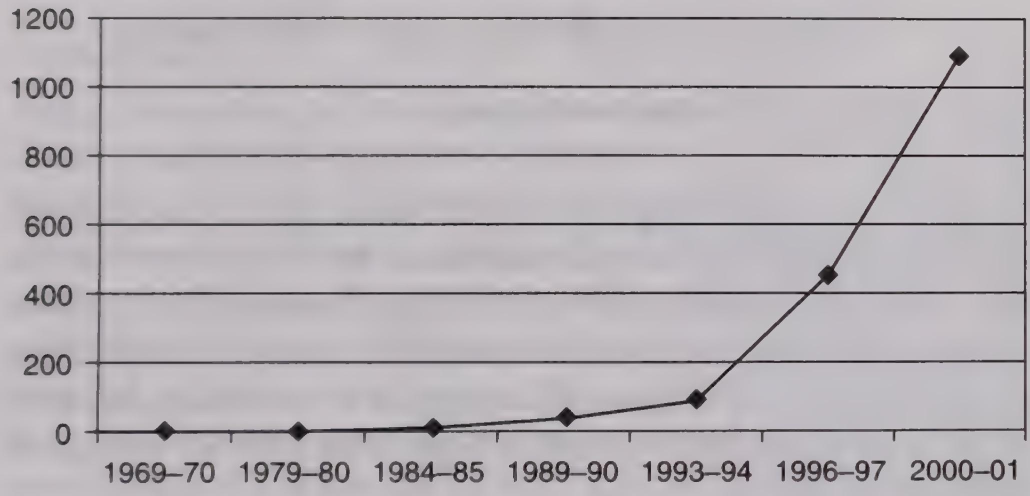
One can present a few stylised facts on the growth of private higher education in India and other developing countries. Some of these stylised facts are based on robust empirical evidence and some on theoretical support as well. A few of them are well known, but evidence on them from empirical research is nil or negligible, as it is hard to obtain any reliable empirical data. Certainly, there may be a few exceptions to these facts, but they are more or less generally valid statements. After all, a stylised fact is 'a simplified presentation of an empirical finding. While results in statistics can only be shown to be highly probable, in a stylized fact, they are presented as true. They are a means to represent complicated statistical findings in an easy way. A stylized fact is often a broad generalization, which although essentially true may have inaccuracies in the detail.'[4]

Stylised Fact #1

There has been rapid growth in private higher education in the last couple of decades, resulting in significant and rapid diminution in the relative size of the public sector in higher education. The growth in private education includes growth in various types of private institutions—self-financing private institutions, profit-making private institutions and private unrecognised institutions. The last category of the institutions are those that do not either qualify to be recognised by the government as educational institutions or the institutions themselves do not seek recognition, as recognition by the government restricts the freedom of the institutions to adopt undesirable methods of management relating to admission, student fees, teacher recruitment, etc. Some of them are also *unrecognisable*, as one may have to search for these small institutions in big shopping malls and other places.[5] Some of the private universities, about 20 now, have been declared 'fake' universities, having been set up with no permission from the government.[6]

There were absolutely no private self-financing colleges in the state of Andhra Pradesh in the 1970s. But at the turn of the twentieth century, there were 1,090 colleges. The growth has been somewhat alarmingly high. The self-financing or fee-relying private colleges include not only engineering and medical colleges, but also several other colleges offering general and professional education. The growth has been so rapid that the relative size of the public sector in college education in the state has become quite negligible. Today, such colleges outnumber public institutions by several times. In absolute numbers, and also as a proportion of the total, government colleges turnout to be negligible. For example, in 2000–01, more than 90 per cent of the engineering and medical colleges in Andhra Pradesh belonged to this category, pushing down the relative size of government colleges to below 10 per cent. There were 95 private self-financing engineering colleges, compared to 11 government colleges. Similarly, there were 303 self-financing medical colleges, compared to 25 government colleges (Figure 11.4).

FIGURE 11.4: Growth of Private Self-financing Colleges in Andhra Pradesh

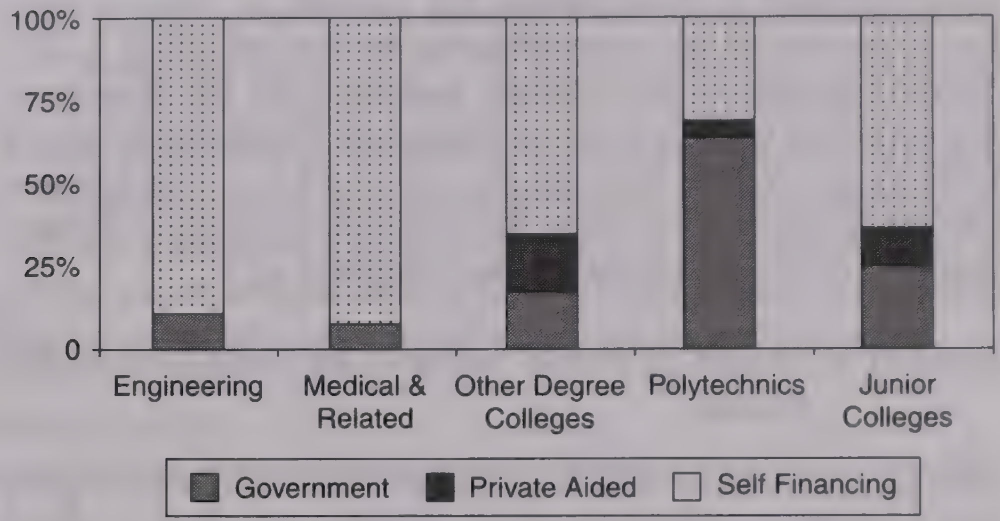


Source: Government of Andhra Pradesh (2002).

Even in case of arts and science colleges, 65 per cent of them are private self-financing colleges, 17 per cent private aided colleges and the remaining—only 18 per cent—are government colleges. The proportion of self-financing colleges is also high in case of junior or intermediate colleges. Though no recent data are easily available, it is widely held that the number of private self-financing colleges has increased further in the recent years. In fact, the private colleges seem to have really crowded out the government colleges, as shown in Figure 11.5.

Though these figures refer to the southern state of Andhra Pradesh, the nature of the trends observed is found to be true in many other states like Tamil Nadu, Karnataka, Maharashtra and

FIGURE 11.5: Government and Private Colleges in Andhra Pradesh, 2000–01



Source: Government of Andhra Pradesh (2002).

Kerala as well. For example, in Tamil Nadu, private unaided self-financing engineering colleges accounted for 96 per cent of the total, while government and aided colleges remained at the same number as in 1996–97 (Anandkrishnan 2006). Further, the numbers given above refer to 'recognised' colleges. It is widely felt that there are also a large number of private colleges, which are not recognised by the government.

Stylised Fact #2

There has been a very significant shift from philanthropy to profits in private higher education over the years in most countries—developing and even developed—but it has been more pronounced in developing countries like India (Tilak 2006). This is reflected in the drastic decline in voluntary private contributions in the form of donations and endowments to public institutions, a virtual halt in the growth of private colleges based on the principle of charity and philanthropy, and supported by the State, and a rapid growth in the self-financing private sector. 'Charitable' private institutions also tend to become profit-oriented commercial institutions. Private aided colleges have been set up in India for a long period with some considerations of philanthropy. But nowadays, those who want to set up colleges prefer private self-financing colleges to setting up private aided colleges.

Quite importantly, the decline in donations and voluntary contributions was quite marked during the post-Independence period. In 1950–51, such donations, voluntary contributions and other sources formed 11.6 per cent of the total income of the education institutions (of all levels) in the country; and they declined in relative size to 4 per cent by 1986–87, the latest year for which we have the data.[7] These changes reflect an overall change in the attitudes of the society and it may not be totally correct to state that excessive government intervention is responsible for this.

Stylised Fact #3

Higher education in developing countries is more privatised than in many advanced countries (Tilak 1991). The fact refers to the growth of all types of private education, but this also holds true even if one is confined to the growth of fee-relying self-financing private institutions. For example, while only one-fourth of the enrolments in higher education in the US are found to have been enrolled in private institutions, the corresponding proportion is more than two-thirds in some of the developing countries. The ratio is much less in Canada and many European countries. In contrast, the corresponding ratio is 23 per cent in Malaysia, 29 per cent in Jordan, 57 per cent in Paraguay, 67 per cent in Indonesia, 68 per cent in Philippines, etc. (OECD 2004).

Except in Korea and Japan, two-thirds to 100 per cent of the total enrolments in the OECD countries are in public and private institutions financially supported by the government (Table 11.5). Does this imply that private education is good for developing countries, but not for the advanced countries? Note that private education is advocated in developing countries, not just because the developing countries cannot afford public education, but also on grounds of efficiency. If so, does the issue of efficiency in education assume relevance only in case of the developing countries and not for the others?

Table 11.5: Distribution of Enrolments in Tertiary Education (Type A and Research), 2002

OECD countries	*Public*	*Government-supported private*	*Independent private*	*Non-OECD countries*	*Public*	*Government-supported private*	*Independent private*
Korea	22.7	—	77.3	Israel	11.7	76.3	12.0
Japan	27.5	—	72.5	Chile	31.5	22.1	46.4
Netherlands	29.2	69.6	0.0	Philippines	31.9	—	68.1
Belgium	41.5	58.5	0.0	Brazil	32.6	—	67.4
Mexico	66.3	—	33.7	Indonesia	33.5	—	66.5
Poland	71.6	—	28.4	Paraguay	43.1	—	56.9
Portugal	72.3	—	27.7	Peru	58.8	—	41.2
US	76.0	—	24.0	Jamaica	68.4	—	31.6
Hungary	85.9	14.1	0.0	Jordan	71.4	—	28.6
Norway	87.6	12.4	0.0	Malaysia	77.0	—	23.0
France	87.8	0.8	11.4	Uruguay	86.2	—	13.8
Spain	87.9	—	12.1	Thailand	86.9	—	13.1
Finland	89.8	10.2	0.0	Argentina	87.0	—	13.0
Iceland	90.2	9.8	0.0	Russian Fed.	88.7	—	11.3
Switzerland	90.4	6.8	2.8	Tunisia	100.0	—	0.0

(contd)

Table 11.5 (contd)

OECD countries	Public	Government-supported private	Independent private	Non-OECD countries	Public	Government-supported private	Independent private
Austria	92.7	7.3	0.0				
Italy	93.5	0.0	6.5				
Ireland	94.0	—	6.0				
Sweden	94.1	5.9	0.0				
Turkey	96.0	—	4.0				
New Zealand	97.3	1.4	0.6				
Czech Republic	98.3	—	1.7				
Slovak Republic	99.3	0.4	0.3				
Denmark	99.5	0.5	0.0				
Australia	100.0	0.0	0.0				
Canada	100.0	0.0	0.0				
Germany	100.0	0.0	0.0				
Greece	100.0	0.0	0.0				
Luxembourg	100.0	0.0	0.0				
UK	100.0	0.0	0.0				
OECD mean	79.0	10.3	11.4				

Note: — Not available.

Source: OECD (2004: 290).

In India, privatisation is taking place in various forms. Currently we have the following types of private institutions:

- Private universities
- Private deemed universities
- Private aided colleges
- Private unaided / self-financing colleges
- Private unrecognised institutions

In addition, public universities are getting privatised financially through the introduction and increases in fees / user charges and self-financing courses. If we consider all these aspects, or even confine ourselves to the private institutions, we see that the higher education system in India is more privatised than in many other countries of the world. For example, there are 23 private universities; more than four-fifth of the 111 deemed universities are private; and 52 per cent of the colleges are unaided. Aided colleges also account for a large number. According to Anandkrishnanan (2006), private unaided institutions constitute 64 per cent of all the institutions; they have increased by 2.4 times between 2000–01 and 2005–06, while government and government-aided institutions have increased by only 1.03 times during this period.

Stylised Fact #4

Private universities account for a larger number of total universities, but they account for a smaller number of enrolments. More than 50 per cent higher education institutions are in the private sector in 18 countries; but only in four counties (Brazil, Chile, Philippines and Japan), are there 50 per cent (or more) enrolments in private institutions. In New Zealand, private institutions constitute 70 per cent of the total, but have only 8 per cent of the students! Similarly, in Slovenia, only 3 per cent of the students are enrolled in private institutions, while 82 per cent of the institutions are private. These are not isolated cases. As we find in Table 11.6, this is the pattern in several countries.

This means that private institutions are very small in size, either by design or by demand, or both. They are not able to attract students in large numbers. This is because of their very special features, such

TABLE 11.6: Private Higher Education in Selected Countries (2003–06)

	Percentage share of the private sector in all higher education	
	Institutions	*Enrolment*
Argentina	42.9	25.7
China	39.1	8.9
Czech Republic	49.1	3.2
Estonia	63.0	20.3
Ethiopia	60.0	24.0
Georgia	84.8	23.8
Germany	29.5	3.7
Hungary	54.4	14.2
Kenya	34.2	9.1
Kyrgyzstan	29.4	7.4
Latvia	40.0	22.9
Lithuania	30.0	4.5
Malaysia	92.2	39.1
Moldova	44.5	20.0
Mongolia	64.2	26.0
Mexico	69.1	33.1
New Zealand	71.1	8.1
Poland	66.8	29.4
Portugal	64.2	27.4
Romania	56.0	23.3
Russia	37.0	12.1
Slovenia	81.5	2.9
Uruguay	42.9	10.0
USA	59.4	23.2

Source: Program for Research on Private Higher Education (2007a).

as the practice of elitism, high fees, limited number of disciplines of study, location and other management practices and, not the least, because of quality and standards of education, and the reputation of these institutions.

In contrast, even when the relative size of the public-sector higher education is small in terms of the number of institutions, they account for a larger proportion of students. For example, in the US, 75 per cent of the students are enrolled in public institutions, while 60 per cent of the higher education institutions are private (Table 11.6). All this shows that the expansion of private higher education does not necessarily lead to anywhere near a proportionate increase in access to higher education.

Stylised Fact #5

Economies with predominant private higher education systems have not developed much, economically, educationally or even socially and politically. Countries that have expanded their higher education systems, mainly relying on the private sector, have not registered significant progress. The other way is also true. Countries which have higher education systems that can be described as predominantly public have progressed well, economically, socially and politically. The exceptions to this are very few—Japan and South Korea seem to be the only two major exceptions. In most other countries, the evidence on the fact is robust. Countries in North America and Western Europe have strong public higher education systems and some of them have no private higher education at all, and they are economically prosperous, politically stable and socially cohesive. On the other hand, many countries in the Latin American region have a long history of private higher education, but they continue to remain as economically developing countries and socially, politically and even educationally not advanced. So is the case with the Philippines, which has a long history of private higher education but remains a poor developing country. This may be partly because of the poor quality of higher education offered by private institutions.

At the same time, it may be possible to argue that as governments in poor countries are not able to meet the demand for higher education, the private sector becomes dominant in such countries, and the governments in advanced countries can meet the demand on their own without relying on the private sector. It is indeed difficult to clearly find the cause-and-effect relationship between the size of the private sector and development. Nevertheless, the fact remains that countries with predominantly private higher education systems have remained underdeveloped—economically, educationally and even socially and politically.

Stylised Fact #6

In many private education institutions in India and other developing countries, the quality and standards of education are poor. The poor quality of education offered in private institutions, a fact which is being widely noted, may be because of a lack of serious concern for providing quality education by the management of these institutions, as their motives revolve more around making quick money than providing good-quality education on the one hand, and equally, if not more importantly, because of a lack of any strong quality-ensuring mechanisms instituted by the government and other higher education regulatory bodies on the other. In contrast, many public institutions in India, such as the IITs, IIMs, AIIMS, IISc and some central universities among others, some public universities in China and many in Europe are regarded as being of high quality and international standards, at the same time open to the economically and socially disadvantaged sections of society.

It may be interesting in this context to note that very few non-US private universities figured in the World University Rankings of the *Times Higher Education Supplement* (THES 2006). Out of the 138 non-US universities that the THES ranked, only six private universities can be found in the list, as shown in Table 11.7. They include one university in North America (Canada), four in Europe and one in Asia (South Korea); but none of them figures in the top 50 universities. These also seem to be the least known universities. In contrast, though not many, at least some public universities—five in China, one in India, two in Malaysia, two in Singapore, three in South Korea and one in Taiwan—figure in the world rankings. Note that not one private institution from India, China and Malaysia, among other countries, has appeared in the world rankings. Despite some of the familiar weaknesses associated with such world rankings, they do reflect the broad dimensions of quality and are, hence, useful for general comparisons.

TABLE 11.7: Non-US Private Universities in the World University Rankings (2004)

	Name of the University	*Country*	*Rank*
1.	Université Catholique de Louvain	Belgium	52
2.	Free University of Brussels	Belgium	54
3.	Chalmers University of Technology	Sweden	92
4.	McMaster University	Canada	147
5.	Pohang University of Science and Technology	South Korea	163
6.	Nijmegen University	Netherlands	191

Source: 'World University Rankings', *The Times Higher Education Supplement*, reproduced in PROPHE (2007b).

Stylised Fact #7

Private institutions in India and other developing countries exclusively rely on student fees as the source of funds. The private sector's own contribution in terms of financing education is negligible, and whatever investments are made by the private sector, they are quickly recovered within a short period through student fees. Fees in private institutions are higher than in public institutions. This is understandable and well known. But fees in private institutions in countries like the USA and Japan are only 3–8 times higher than the fees in public institutions in those countries, while they are 50–80 times higher in countries like India. Further, the fees form 100 per cent, if not more, of the costs of education in private institutions in India and many other developing countries, while, in contrast, in the USA, the corresponding proportion is only one-fourth and in Japan 59 per cent (Hata and Huang 2004). Tuition fees yield as little as 8–15 per cent of the total revenues in state universities and about 20–25 per cent in private universities in the USA. The non-tuition sources of funding of private institutions in the USA are very important—they include voluntary donations and philanthropic contributions from the community and the corporate sector, and profits from investments made out of the corpus fund of the universities. This third source of funds—non-tuition and non-State—is virtually absent in India and many other developing countries.

Further, many private universities in the West spend considerable amounts of their budgets on scholarships and freeships, as diversity in socio-economic and racial composition of students in the university campuses is regarded as an important virtue of higher education that needs to be safeguarded and nurtured. For example, it is reported that universities like Harvard spend about 10 per cent of their recurring budgets on scholarships and fee waivers. This is again a major missing feature of private higher education in India and other developing countries. Very few private institutions have instituted any student-aid mechanisms worth noting. The importance of scholarships as an instrument for ensuring greater equality of access for the disadvantaged but academically deserving students is hardly noted by these institutions.

In fact, private education in developing countries is not the same as in Western countries. In the West, private education grew out of considerations of philanthropy, charity, education and to promote quality and diversity. In contrast, in developing countries, private education is growing as public investment is declining and it is growing due to the motive of profit. As Lawrence Summers (2006) observed, the East Asian model of private higher education that relies on profit is not the best model of development of higher education. The US model is more appropriate for developing countries that would like to set up private universities.

Stylised Fact #8

While many attempts are being made to forge public-private partnerships in education, they often tend to end in favour of privatisation of education and diminution of the role of the government. Public-private partnership has become a popular slogan nowadays. In the area of education it is not altogether a new idea. At least, the following three forms of partnerships have been in practice for quite some time.

(a) State-aided private institutions
(b) University-industry collaboration
    - Chairs, visiting faculty, lab equipment
    - Joint ventures with industries for sharing equipment, etc.

- Using of infrastructural facilities
- Consultancy

(c) Private investments in public universities

The private aided colleges—the private sector setting up private schools and colleges with their own initial capital investments and the State financing most of the recurring expenditure—are indeed an important example of the public-private partnership. While these institutions did serve an important purpose in the early decades after Independence, as the private sector came in with some considerations of philanthropy, as argued earlier, they also caused in the later years, with the dynamics of political-economy factors involving the corrupt political class, shady bureaucracy and conniving business community in a strong nexus, a severe degree of distortion in allocation of public resources, pocketing disproportionate levels of public budgets and leaving limited amounts for government-run schools and colleges—a phenomenon which I have described elsewhere as 'private enrichment and public pauperisation' (Tilak 1999: 122).

University-industry collaborations yield very little money; in fact, in many places it might have contributed to distortions in research priorities and research agenda of the institutions of higher education.The current modes of public-private partnership that are being suggested also belong to this category of private enrichment at public expense. Though in the current thinking, direct subsidisation by the government in the form of grants-in-aid does not figure explicitly, indirect subsidies in the form of a host of tax concessions, subsidised land and other resources are assumed, as, after all, the explicitly stated goal is to promote private investment and private participation. The encouragement of the private sector also involves autonomy, specifically financial autonomy, to these institutions (National Knowledge Commission 2007) to determine students any level of fees, salaries for teachers and others, utilisation (or misutilisation) of the funds, and, in short, make profits, normal or exorbitant. In fact, public-private partnership is also interpreted to mean restricting of public expenditure, so that space is created for the private sector! Eventually, we may end up with a situation where there is no space for the public sector at all, as in the famous Arab and the camel story.

Moreover, the objectives of earlier forms of partnership, particularly university-industry collaboration, were primarily academic—improvement of relevance of curriculum and increase in employability of the graduates and, secondarily, resource mobilisation. The order of these objectives is reversed in the present context. Partnerships are viewed essentially to raise resources and secondarily to improve academic relevance. Moreover, the partnership is between unequals and the forces of the markets are so strong that public institutions become vulnerable and give in to private interests at the cost of academic and other public interests. In the same way, competition, if any, is also between unequals, and public institutions are at a disadvantage. Gradually, the public institutions will feel compelled to become 'entrepreneurial universities' and 'viable' 'commercial' institutions (Guinn 2002; Raines and Leathers 2003; Gittleman 2004).

As Tomasevski (2003) has rightly observed, public-private partnerships often turn out essentially to be *business deals*, and not any meaningful and desirable partnerships. After all, the considerations of the State and the private sector are widely different and they conflict with each other (see Bok 2003); the interests of the private institutions may conflict even with not only the good aspects of public education, but also with national interests, as Table 11.8 shows.

TABLE 11.8: Conflicting Interests of the State and Private Sector in Higher Education and Research

	State	*Private*
Motivation	Service	Profit
Main concern	Knowledge	Skills
Area of interest	Generic	Specific
Duration of interest	Long-term	Short-term
Team effort	Rarely	Always
Research	Publish / public good	Strictly confidential / private good
Time schedule	Flexible	Rigid
Nature of universities	Diversity	Uniformity

Stylised Fact #9

The government's ability in most developing countries is limited to the regulation, monitoring or control of the private sector, ensuring quality, ensuring strict adherence to norms and procedures, checking malpractices, etc. India, for example, has a sizeable number of regulatory bodies, starting with the UGC for general higher education, AICTE for technical, essentially management and engineering, education, Medical Council of India for medical education, Bar Council of India for legal education, etc., and also an accreditation council, the National Council for Assessment and Accreditation, for various courses of study and institutions of higher education. These are in addition to several government bodies such as State Councils of Higher Education. But it is widely held that few of these statutory and other bodies have been effective in regulating the quality and standards in higher education institutions in general and in private institutions in particular. They have not even been able to check the emergence of 'fake' institutions and their 'cheating' of the gullible public by offering unrecognised degrees and diplomas. These bodies are unable to ensure the proper adherence of the private institutions to officially prescribed norms regarding fees, admissions, teacher recruitment, syllabi, etc. In a sense, the private education promoters are stronger than the State, and the governments' ability to monitor private higher education is severely constrained. It is constrained by (a) socio-political factors, (b) the strong forces of the monopolistic and oligopolistic private education sector and (c) inherent inabilities of these regulatory organisations.[8] This is also evident in the numerous court cases involving issues relating to private education. After all, that a large number of private universities in an Indian state were found to be illegal and, hence, were to be unfounded, owes not to any government action, but to civil (in fact, individual) initiative and judicial intervention. Hence, the argument that the private sector needs to be encouraged in the education sector, but with a strong regulatory mechanism, does not seem to be tenable.

Stylised Fact #10

Actually, it is difficult to note any difference between privatisation and commercialisation in education, either theoretically or empirically.

The *Concise Oxford Dictionary* defines commercialisation as a method to 'manage or exploit in a way designed to make a profit' and profit as 'a financial gain, especially the difference between an initial outlay and the subsequent amount earned'. These are also exactly the features of privatisation. Privatisation also involves the management of resources in a way so as to make a profit. Thus, one may note no difference between privatisation and commercialisation—they are two dimensions of the same coin. Both are based on the same principles and considerations, the most important being profit maximisation. If commercialisation of education is not good for education, as is widely agreed, neither is privatisation of education.

Concluding Observations

In this chapter, I have described some of the important trends in private higher education in India as a set of stylised facts. They may seem like sweeping generalisations, but it is well known that stylised facts are defined as 'observations that have been made in so many contexts that they are widely understood to be empirical truths, to which theories must fit'.[9] So, they are, of course, sweeping statements, with some important exceptions. Nevertheless, I do believe that they are generally true.

Education, particularly higher education, is getting increasingly and rapidly privatised in developing countries like India, much to the detriment of society. Through various kinds of policies, particularly in the area of finances, public institutions are also getting rapidly privatised. Growth in the private sector is due to changing domestic conditions, lack of resources with the governments, strong market forces, weak government mechanisms and the absence of clear public policies.The international environment—introduction of neo-liberal and adjustment policies, and the emergence of WTO/ GATS in the area of higher education—also contribute to its rapid growth.

The confusing public policies or, in fact, the absence of policies in countries like India result in rapid and rampant growth of private education. It is interesting to note that none of public policy documents such as the National Policies on Education, the Five

Year Plans and Economic Surveys in India explicitly recommended privatisation of education. Yet, privatisation in education has been the most rapidly growing phenomenon. The growth of the kind being experienced in India and many developing countries results in loss of equity—social and economic—increase in regional disparities, erosion in quality, loss of important academic disciplines (in favour of marketable disciplines) of study, change in attitudes, erosion in national, social and educational values, public pauperisation and private enrichment, crowding-out of the public sector, loss of the public good nature of higher education, and balanced development of higher education. In short, one notices Graham's law of money operating in the education sector as well.

There is no need to summarise the 10 stylised facts, which are simple and straightforward. Belfield and Levin (2002) have suggested an evaluation of the private systems in terms of (a) freedom of choice to the students, (b) efficiency in resource use and (c) equity or fairness in access to educational opportunities, resources and outcomes. I have attempted to put together some evidence that may help in solving the dilemma of whether to privatise or not to privatise our higher education system. The evidence shows that in terms of not only these three criteria, but with respect to others as well, private systems in countries like India are not faring satisfactorily. Let me end with a cautionary note—it is important to realise that only countries with strong public higher education systems could prosper economically, socially, politically, culturally or educationally; countries with tiny higher education systems cannot progress, nor can those with large private higher education systems prosper much.

Endnotes

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[1] Gross enrolment ratio is defined as the percentage of students enrolled in higher education institutions to the population of the age group 17–23.

[2] See Tilak (2004b) for an elaboration of various arguments of these respective schools of thought.

[3] According to the UGC (2005), the number of colleges was 17,625 in 2004–05.

[4] See http://en.wikipedia.org/wiki/Stylized_facts.

[5] Some of them were set up earlier under the Shops and Establishments Act.

[6] A 'fake' university is an institution that has not been created by an enactment of Parliament or a state legislature, or has not been granted the status of a 'deemed to be' university, and is not entitled to award degrees.

[7] In 1996–97, such contributions to school education accounted for 3.6 per cent.

[8] For the same reason, the National Knowledge Commission (2006) recommends the abolition of some of these bodies, redefining (in fact, reducing) the roles of these bodies and setting up an Independent Regulatory Authority for Higher Education (IRAHE), though one is not sure how the new body will work differently and effectively (Tilak 2007).

[9] See the *Online Glossary of Research Economics* (http://www.econterms.com/econtent.html).

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AUTONOMY IN HIGHER EDUCATION

*Old Wine Fails to Attract—A Review of Growth, Problems and Prospects of Autonomous Colleges**

Higher education in India is in deep crisis. The most important aspect of the crisis relates to public apathy for higher education, marked by public sector disinvestment in higher education on the one hand, and development of questionable attitudes on the role of higher education in development, and on how higher education can be provided, on the other. This apathy has led to a very significant decline in the quality of higher education. Of late, there has also been a rapid growth of private higher education in the country. Simultaneously, the growing forces of globalisation and internationalisation of higher education add further dimensions to the crisis. Higher education is being treated as a tradable commodity across borders. It is also being considered favourably for inclusion in the WTO framework. International dimensions of higher education necessitate proper assessment and accreditation of the higher education institutions, and even making them autonomous.

Autonomy in higher education is a positive concept that has rightly been highly cherished by higher education systems around the world. The concept of autonomy in higher education is not a new one, nor is it of any recent origin in India. Universities in India are autonomous; but most of the colleges that account for about 85–90 per cent of the enrolments in higher education, offering first degree and, in a few cases, second degree courses and research programmes, in the country are not autonomous; they are necessarily affiliated to one university or other. The absence of autonomy to a large chunk of the higher education system in the country is believed to be a drag on quality and performance of the higher education system as a whole. In this context, 'autonomous colleges', a scheme introduced in higher education in India in the late 1960s, can be seen as an important innovation, which has implications for governance as well as quality in higher education.

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In the overall context of rapidly changing national and global socio-economic and educational conditions, the programme of making colleges autonomous assumes much significance. Many feel that this is the apt time for aggressively popularising the scheme of the UGC of granting autonomy to colleges that are affiliated to the universities. A system of autonomous colleges is viewed as the most important solution to the problem of deteriorating quality and improvement of governance on the one hand, and on the other as a necessary step towards the promotion of internationalisation of higher education. Accordingly, in recent years there has been a renewed emphasis on the strengthening of the scheme.

Colleges in India were virtually autonomous until the three affiliating universities of Calcutta, Bombay and Madras were established in 1857 during the British rule. All the 27 colleges that then existed were affiliated to the three universities. Thus began the phenomenon of the affiliating college system in India. Most colleges—government, government-aided private or private self-financing—that were set up during the subsequent period were established as affiliated colleges. There were, of course, a few constituent colleges. The affiliating system was devised to regulate and standardise quality of education and ensure at least a minimum level of quality and standard in all colleges, in conformity with the quality of the universities with which they were associated. But the centralised decision-making system, a characteristic feature of the affiliating college system, has been found to be producing more and more problems, affecting academic freedom and preventing any kind of initiative in introducing innovations in the development of higher education, besides posing managerial problems for the universities, state governments[1] and even the UGC. Realising the importance of autonomy in colleges on the one hand, and, more importantly, the weaknesses of the affiliating system on the other, several attempts were made for the revival of autonomy in colleges in twentieth-century British India and later in independent India, by some academic administrators (for example, R. K. Singh, principal of Agra College and later vice-chancellor of the Meerut and Himachal Pradesh universities) and the UGC (for example, the committees chaired by G. S. Mahajnani in 1964, and S. K. Siddhanta in 1965).[2] However, the credit of making it a plausible idea goes to the Education Commission (1966), also known as the Kothari Commission, whose recommendation was taken up seriously by the UGC for action. The Education Commission, taking note of the issue of autonomous colleges, 'which has been under discussion for many years', recommended, 'where there is an outstanding college or a small cluster of very good colleges within a large university, consideration should be given to granting it autonomous status'. It also recommended that a 'provision for the recognition for such colleges be made in the constitution of universities' (Education Commission 1966: 517–18).[3]

While a few colleges were granted autonomous status in the following years, the idea gained some momentum after the National Policy on Education 1986 made a categorical statement: 'In view of mixed experiences with the system of affiliation, autonomous college will be helped to develop in large numbers until the affiliating system is replaced by a freer and more creative association of universities with colleges' (Government of India 1986a: 25). As the Education Commission presented in detail, autonomy in the autonomous colleges would involve

> the power to frame its own rules of admission, to prescribe its courses of study, to conduct examinations and so on. The parent university's role will be one of general supervision and the actual conferment of the degree. The privilege cannot be conferred once for

> all. It will have to be continually earned and deserved and it should be open to the university after careful scrutiny of the position, to revoke the autonomous status if the college begins to deteriorate in its standards ... (Education Commission 1966: 286)

The basic direction and guidelines provided by the Education Commission formed the cornerstone of all the guidelines and revised guidelines prepared by the UGC (for example, in 1973, 1987, 1993, 1995 and 1998).

Why Autonomous Colleges?

Autonomy in higher education is a positive concept that has rightly been widely welcomed. While universities in India have been autonomous, colleges were not autonomous until the scheme of autonomous colleges was launched. Three kinds of arguments are put forth in favour of the concept of autonomous colleges. Some plead for autonomous colleges, mainly believing in autonomy as a desirable form in itself. The merits of autonomy for the development of higher education are well known. It creates an academic ambience, wherein academic freedom to the institution that is vital for the healthy development of all its facets is ensured. Autonomy is related to the empowerment of teachers in respect of academic matters and academic administration. Teachers get opportunities to participate in decision-making. It may promote competitive instinct for academic excellence in higher education. It is also argued that, after all, in many other countries, almost all education institutions, including schools, colleges and universities are autonomous. In India, the system of autonomous colleges was found to be 'urgently needed', 'socially advisable', 'organisationally necessary', 'educationally challenging', but 'professionally difficult'.

The second set of arguments in favour of autonomous colleges is based on the negative aspects of the affiliating system. India inherited the affiliating system from the British and continued with the same system without any significant changes. Affiliation should ideally imply an affectionate and harmonious relationship between the university and the colleges, which could be possible if the number of universities and colleges were small. But with a very rapid growth in numbers, this would not be possible, even if the university wished to have affectionate relationships with so many colleges. Regimentation and lack of individualisation are the hallmarks of the affiliated system. On the other hand, the autonomous college system is considered flexible and dynamic, capable of promoting innovative attempts and reforms.

It is important to note that many viewed autonomous college as the answer to the problem of deteriorating quality in colleges. Many of the ills of the Indian higher education are attributed to the system of affiliation. The *Programme of Action* (Government of India 1986b) that followed the National Policy on Education has stated that 'the system of affiliated colleges does not provide autonomy to deserving colleges to frame curricula, courses of study or their own system of evaluation'. The affiliating system has been considered the bane of higher education and a drag on the better institutions that would otherwise regularly revise and update their curricula and introduce innovative programmes. As the UGC (1973) noted, 'the conspicuous absence of this academic freedom and institutional autonomy in the case of colleges in India has been the greatest disfunctional factor responsible for the gradual decline in standards'. Autonomy is also regarded as a measure of 'liberation', liberating the colleges from excessive, minute and sometimes oppressive control of the universities, and liberating the teacher to think freely and teach freely with innovative ideas and methods.

An equally important and also related problem refers to the defective examination system. It has been felt that the examination system in general, and in the affiliated college system in particular, is breaking down under its own weight, besides not being able to test students' analytical or cognitive abilities. Hence, it has been felt that 'the only safe and better way to improve the quality of undergraduate education is to de-link most of the colleges from the affiliating structure' (UGC 2001: 50). In fact, some (for example, Narayan 1974) went to the extent of arguing that no college should remain permanently affiliated to a university; it should be affiliated at best for a few initial years, during which period the university should help in the development of the college into an autonomous college.

Third and closely related to the above, it is increasingly felt that universities are over-burdened. The affiliating system was introduced when the colleges and universities were very few—27 colleges and three universities in 1857. Unfortunately, the system was adopted to continue even at the time of Independence, when there were 20 universities and nearly 500 colleges, on average 25 colleges for each university, and continued even when the number of colleges increased to about 13,000, with varying number of colleges affiliated to each university. It was estimated that presently, each university had 10–400 affiliating colleges (UGC 1996: 92).

TABLE 12.1: Growth of Higher Education in India, 1857–58–2003–04

Year	*Colleges*	*Universities*	*Enrolment (in million)*
1857–58	27	3	250*
1947–48	496	20	0.2
1950–51	578	28	0.2
1960–61	1,819	45	0.6
1970–71	3,277	93	2.0
1980–81	4,577	123	2.8
1990–91	6,627	784	4.4
2001–02	11,146	272	8.8
2003–04**	13,000	300	10.0

Notes: * Number (not million).
** Provisional.

Source: UGC *Annual Reports* and other publications.

Autonomy is regarded as 'a process of liberation' (Palamattam 2003: 12), liberating the universities from the burden of conducting examinations for hundreds and thousands of students in the colleges. Hence, it is argued that the universities should be divested of the responsibility of regulating courses, conducting examinations and awarding degrees for students enrolled through the system of affiliating colleges (UGC 1996: 94). This will improve the efficiency of the universities themselves. The system of autonomous colleges, thus, serves a dual purpose of improving quality in the colleges by promoting autonomy and improving the quality in universities by reducing their burden.

What is Autonomy in the Autonomous College?

As the UGC guidelines make it clear, autonomy in case of the present scheme of the autonomous colleges includes mainly academic aspects: (a) freedom to determine and prescribe its own courses of study and syllabi, (b) freedom to prescribe rules for admission in consonance with the policy of protective discrimination (reservation) of the concerned state government, (c) freedom to evolve methods of assessment of student work, the conduct of examinations and notification of results and (d) use of modern tools of educational technology to achieve higher standards and greater creativity (UGC 2002: 87).[4] Thus, autonomy includes largely academic autonomy, some administrative autonomy (in terms of admission procedures and conduct of examinations) and very little, if not nil, financial autonomy. It seems the UGC equated autonomy of the colleges with academic freedom. In a sense, no substantial institutional autonomy is guaranteed, but academic freedom is. As the UGC in its *Guidelines* (1987) noted, the purpose is essentially 'to give opportunity to the teachers and students to make innovations in teaching, improve the standards of teaching, examination and research and quickly respond to the social needs'.

Autonomy is conferred by the university with which the college is associated, with the concurrence of the state government and the UGC. Generally, an autonomy status is given for a period of five years and the university then reviews the functioning of the college periodically with the help of a committee constituted for the purpose. The college also has to get assessed and accredited by the National Assessment and Accreditation Council once in five years.[5] If the university is not satisfied with the functioning of the college, the autonomy status could be withdrawn, and *vice versa*, that is, extended if satisfied.

On the basis of academic reputation and the previous performance of a college in university examinations, academic and co-curricular activities, academic attainment of the faculty, quality and merit in the selection of students and teachers, adequacy of infrastructure, quality of institutional management, financial resources, responsiveness of the administrative structure and motivation and involvement of the faculty in the promotion of innovative reforms, colleges are identified by the university with which they are affiliated for consideration for the granting of autonomy. The colleges include those offering undergraduate and/or postgraduate courses. The UGC, based on the recommendation of the university and the corresponding state government, confers autonomy upon the selected colleges.

Autonomous colleges can start diploma or certificate courses without prior approval of the university, and the certificates are issued by the college itself. In case of new (and also the existing) degree and postgraduate courses, the degree certificate is issued by the university, wherein the name of the college is also included.[6] Innovative methods of evaluation of students include the semester system and continuous internal evaluation. Teacher evaluation might be in the form of periodical self-evaluation, institutional assessment of teacher performance, student evaluation of teacher performance, teacher research appraisals, etc. The credit system is yet another innovation. Credit sharing is also proposed to be allowed.[7]

The UGC provides financial assistance to the colleges to meet the additional costs and special needs. The Government of India (1986b) resolved that the programme of autonomous colleges would be fully funded by the Union Government through the UGC for a period of five years. Autonomous colleges get financial assistance under the scheme to meet their additional and special needs for additional faculty, extra library, laboratory staff and material. According to the revised guidelines of the UGC, normal financial assistance for undergraduate colleges having a single faculty is to the extent of Rs 400,000 per annum and that for multi-faculty colleges Rs 600,000. For both undergraduate and postgraduate colleges, the assistance is Rs 500,000 for single faculty colleges and Rs 800,000 for multi-faculty colleges. According to more recent proclamations, autonomous colleges running postgraduation courses are eligible for Rs 1.2 million per annum as additional grants to upgrade infrastructure; those with degree courses having multi-faculty are to get Rs 900,000 per annum and those with single faculty Rs 700,000.[8] These are annual block grants and they are non-lapsable. Colleges which have been autonomous for a period of 10 years receive funding on a different basis.[9] The UGC assists the colleges to meet the additional expenditure on guest/visiting faculty, orientation of teachers, redesigning of the courses, development of teaching learning material, workshops and seminars, examination reforms and extra office equipment. UGC assistance cannot be used for the creation of any posts or payment of salaries of the college staff. Though the Government of India (1986b) has resolved that special assistance would be provided to these colleges for creation of posts of faculty—readers and professors—there is no special provision for the recruitment of teachers in the autonomous colleges; they would have to follow the same rules as the other government and government-aided private colleges. There were more financial incentives offered in the Tenth Five Year Plan (2002–07). According to the conditions set by the UGC, an institution identified as autonomous and a centre of excellence would be entitled to support worth Rs 17.2 million. An institution that was not autonomous but accredited by the National Assessment and Accreditation Council (NAAC) would get Rs 7 million. An institution that had the potential for academic excellence but had neither the autonomous status nor accreditation was supposed to get only Rs 3.5 million.[10]

The Slow Growth of Autonomous Colleges

On the recommendation of the Education Commission (1966), the scheme of autonomous colleges was formulated in the Fourth Five Year Plan (1969–74) by the UGC, but its implementation started in 1976. As a beginning, a few autonomous colleges came up in the southern state of Tamil Nadu. Eight colleges of the University of Madras and four of the Madurai Kamaraj University were conferred upon the status of autonomy in 1978, when Malcolm Adiseshiah was its vice-chancellor. In all, as few as 15 colleges were granted the status of autonomous colleges in the country as a whole by 1977–78. Currently, out of nearly 13,000 colleges, only 138 colleges belong to this category in the country. The progress has been very slow.

When the Kothari Commission recommended the granting of autonomy to select 'outstanding' and 'very good' colleges, it also suggested that by the end of the Fourth Five Year Plan, that is, by 1974, we should aim at making at least 50 colleges autonomous. A committee constituted by the UGC in 1966 felt that, as an experiment, it be tried in one or two colleges in each university; this might mean 50–100 colleges in all. But by the end of the Five Year Plan, not a single college could be granted autonomy. In 1968, the UGC invited proposals from colleges and universities for autonomy. Only two universities responded. Three colleges also responded directly to the UGC (Palamattam 2003: 31). The Central Advisory Board of Education further recommended in 1972 that the programme should be implemented vigorously and at least 5 per cent of the colleges should be made autonomous by the end of the Fifth Five Year Plan. This might have meant about 170 colleges by 1979–80. But the progress has been far from satisfactory. Realising the importance of such colleges, the Government of India (1986b) mentioned that 67 colleges were selected and it was resolved that by the end of the Seventh Five Year Plan, that is, by 1990, about 500 colleges would need to be made autonomous. The goal remained elusive. The UGC then aimed at granting autonomy to 10 per cent of the colleges by the end of the Tenth Five Year Plan, that is, to over 1,300 colleges by 2007 (UGC 2001: 50). Though it is recognised that 'autonomy is a matter of unobjectionable necessity and it should not be construed in terms of physical targets' (Yashpal, quoted in Chowdhury 1995: 105), quantitative targets are fixed often, and they continue to remain unrealised.

In contrast to the targets mentioned above, we note from Table 12.2 that there are only 138 autonomous colleges in the country as a whole, as per the latest statistics available. Hardly were there 20 autonomous colleges during the pre-National Policy on Education 1986 period. After the National Policy on Education was formulated, serious efforts were made by the UGC—guidelines were formulated and revised and proposals were invited from the colleges and universities. There has been some response, but with a lot of hesitation. On the whole, as Adiseshiah (quoted in Anandkrishnan 2004) observed, 'Everybody is in favour of autonomous colleges. Yet they have been non-starters because everyone including the colleges is afraid of disturbing the dismal but demanding status quo.' Even though some of the doubts and apprehensions expressed earlier have been found to be not tenable, and the 'risk' involved in becoming autonomous has not been high, as the colleges do have a choice to go back on autonomy, reactions have continued to be mixed and the growth has been slow.

TABLE 12.2: Growth in the Number of Autonomous Colleges

Year	*No.*	*Year*	*No.*
1977–78	15	1992–93	110
1979–80	13	1993–94	108
1980–81	19	1994–95	109
1984–85	19	1995–96	113
1985–86	21	1996–97	119
1988–89	95	1997–98	119
1989–90	107	1998–99	123
1990–91	106	1999–00	131
1991–92	107	2000–01	131
		2001–02	130
		2003–04*	138

Note: * www.ugc.ac.in/inside/auto_college.html
Source: UGC *Annual Reports*.

Besides the slow overall growth in the number of autonomous colleges, a few additional aspects are worth noting. The first relates to the geographical concentration of the autonomous colleges. Quite importantly, only a few states, mainly Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Orissa, have opted for autonomy in some of their colleges. These four states, according to the latest statistics, accounted for 80 per cent of the autonomous colleges. Another bunch of five states, namely Chhattisgharh, Uttar Pradesh, Himachal Pradesh, Maharashtra and Gujarat, accounted for the remaining 20 per cent, 27 out of 138 colleges in 2003–04! Not a single college from the remaining states has gone for autonomy. Earlier, one college in Bihar and six in Rajasthan had become autonomous. The only college from Bihar was later granted the status of an institution deemed to be a university.[11] It is quite intriguing to note that the scheme, which is claimed to have been associated with quite a few advantages, has not been attractive to many. It is only now that the UGC seems to be pursuing vigorously, and according to newspaper reports, more and more colleges are likely be conferred the status of autonomy. For example, 11 colleges in Karnataka are reported to have got 'clearance' as 'eligible for autonomy status'.[12] Yet, the spatial distribution of the colleges remains lopsided and it may continue to be so.

On the whole, the scheme of autonomous colleges has not been very popular. Only nine out of 35 states in the country have so far opted for the scheme; the other states are probably not much interested.

TABLE 12.3: Growth of Autonomous Colleges in India, by States

	1978–79	1984–85	1993–94	1995–96	1996–97	2001–02	2003–04
Tamil Nadu	12	16	44	43	44	48	48
Madhya Pradesh	1	1	29	34	38	35	25
Chhattisgarh	—	—	—	—	—	—	11
Gujarat	1	1	2	2	2	1	1
Bihar	1	1	—	—	—	—	—
Andhra Pradesh	—	—	20	19	19	17	21
Orissa	—	—	5	5	5	17	17
Uttar Pradesh	—	—	2	3	3	4	6
Rajasthan	—	—	6	—	—	—	—
Maharashtra	—	—	—	2	3	3	4
Himachal Pradesh	—	—	—	5	5	5	5
All India	15	19	108	113	119	130	138

Note: — Nil.

Source: UGC *Annual Reports*.

Out of more than 250 universities, only 30 universities have at least one autonomous college each; it is possible that the remaining 200-odd universities have not taken any initiative to make the necessary amendments in their statutes or acts making provisions for the granting autonomy to colleges. And in all, only 138 colleges out of nearly 13,000 are autonomous so far.

Second, more private colleges have opted for autonomy than government colleges. In fact, government colleges have been evidently lukewarm to the idea of autonomy. Of the total 130 autonomous colleges, only a third of them were government colleges and the remaining were government-aided private colleges in 2001–02. At one point of time, 49 out of 58 colleges in the southern region were private colleges. A majority of the autonomous colleges are also colleges run by missionaries. All this might give a feeling that the scheme is largely meant and/or is suitable for private colleges only. But according to the statistics available from the UGC (2003) relating to another year, out of the 100 autonomous colleges, 56 were private colleges and 44 government colleges; and of the 56 private colleges, 4 were self-financing colleges, 23 government-aided private minority institutions and the remaining 29 non-minority institutions.

Third, most of the colleges that have become autonomous are located in urban areas. Only 16 per cent of the colleges in the country were in rural areas; 10 per cent were in metropolitan areas and 74 per cent in other urban areas. Further, about one-third of them were women's colleges. More than three-fourth of the total offered undergraduate and also postgraduate courses, and some offered courses at the M.Phil (pre-doctoral) level. A majority (83 per cent) of the autonomous colleges in the country were arts and science colleges; the others were very few. Out of the 50 autonomous colleges in Tamil Nadu in 1999, 38 (eight government and 30 government-aided private) were arts and science colleges, four (one government and three government-aided private) were engineering colleges, five were teacher-training colleges, one a physical education college, one a technical teachers training institute and one a regional engineering college.

Why has the Growth been Dismal?

Except for the first three years after the National Policy on Education 1986, when the number of autonomous colleges increased from 21 to 95, the growth in the number of colleges during the subsequent period has been dismally slow. In the 14 years between 1989–90 and 2003–04, hardly 30 new colleges were granted autonomy. Why has the pace been so slow? There are several factors that might be responsible for this.

First, it may not be completely true to say that state governments have not been enthusiastic about the scheme of autonomous colleges. The UGC Committee noted in 1967 that the education departments of many states such as Andhra Pradesh, Punjab, Uttar Pradesh, Goa and Manipur supported the idea, while the government of Mysore (now known as Karnataka) preferred to leave it to the consideration of the universities in the state. While Gujarat and Jammu and Kashmir desired its deferment, interestingly, the government of Madras did not consider it desirable at all (Kapur 1974). It is interesting because it is the state of Tamil Nadu (erstwhile state of Madras), which proposed in 1968 a system of autonomous colleges in the perspective plan of the state, and provided for the setting up of six such colleges in the Fifth Five Year Plan, 1969–74 (Palamattam 2003: 31), and it is in this state where such colleges came up for the first time and where the expansion has been rapid, compared to other states. As already noted, 48 colleges in the state are autonomous, as per the latest statistics (2003–04), and they form nearly 40 per cent of the total in the country.

Second, in the beginning of the scheme, there were several apprehensions about the scheme, lack of clarity on the objectives and intentions of the government and its likely impact on the development of higher education. The most important apprehension was that this was a step in the direction towards privatisation of higher education and towards a reduction of the role of the State in higher education development. It was also apprehended that autonomous colleges might turn out to be elitist, being pockets of excellence amidst a vast majority of low-standard colleges, catering to the needs of the elite only. It was also feared that this would lead to diversity in standards in higher education. Further, it was feared that autonomous colleges might not be able to resist the external pressures and pulls, and might bring down standards by boosting the examination results of students.

There were also apprehensions on the part of the management, state governments, universities, teachers and students. Colleges would not wish to take the risk of assuming autonomy and accountability; teachers would feel shy shouldering extra responsibility and trying autonomy in their colleges; universities would not wish to let go of their control. Governments were apprehensive about the loss of their power if colleges were made really autonomous; management might lose many powers, as several supervisory, advisory and decision-making committees, such as academic councils, boards of studies, library committee, admission committee, examinations committee, office of the controller of examinations, finance committee, appeals and grievance committee, planning and evaluation committee, student welfare committee, etc., were to be constituted as a requirement under the scheme of autonomous colleges; they also feared that teachers in autonomous colleges might behave autonomously and against the interests of the management; universities might not be ready to part with their hegemony on the colleges; and even governments might behave in the same way. Teachers feared more workload and increase in responsibilities on the one hand, and on the other more oppressive behaviour of the private management in the name of improving efficiency under autonomy, and playing with their service and working conditions. Students feared deficiencies and nepotism in the methods of internal evaluation; and the bright students of the autonomous colleges might be at a disadvantage of not being eligible to compete for the university's prizes and medals. Thus, students, teachers, management, universities and even the governments looked upon this scheme with some suspicion. Perhaps even the UGC might have had its own reservations for not pursuing the scheme seriously.

Doubts were also cast on the ability of the university to select 'right' colleges for autonomy. The criteria might not be objective, and might not necessarily help in the selection of the right colleges for autonomy. As a result, colleges that were actually not 'eligible' for autonomy might be selected and this might cause problems, including that of withdrawal of autonomy. Initially, there is also no clarity on certain aspects relating to the autonomous colleges. For example, what would be the nature of relationship between the college, the university, the UGC and the state government, after a college is made autonomous?

While some of these apprehensions about increase in workload are valid, others are not. Autonomy implies that the college and its teachers assume full responsibility and accountability for the academic programmes they provide, for the content and quality of their teaching and research, and admission and assessment of their students. When a college seeks autonomy, it means it is asking for responsibility for initiating innovative academic activities. So obviously, autonomy implies more workload on the teachers and other staff. But experience proves that some other apprehensions are not valid. Though these colleges can design their own admission policies, since they have to follow the same admission policies as other government and government-aided private and other recognised colleges, including the policies of protective discrimination of the concerned state government, and since they are government or government-aided private colleges, one might find the distribution of enrolments in these colleges to be similar to the other colleges and they may not necessarily turn elitist.

The scheme of autonomous colleges does not provide for any change in recruitment, termination, qualifications and other service conditions of teachers. The colleges have to follow university, UGC and state government statutes and regulations in this context. Basically even the autonomous colleges work under the overall watch of the university, the UGC and the state government and, hence, the scope is restricted for any large-scale misuse of powers by the management in case of teacher's service conditions, or for any undesirable practices in case of internal evaluation or in admissions. Autonomous colleges have not become completely private until now, proving the critics who argued that this might lead to privatisation wrong. Nevertheless, it should be noted that if, and as and when, the government wants to privatise higher education, the autonomous college system might help speed up the process in this direction. Also, as already noted, a large majority of, but not all, autonomous colleges are government-aided private colleges.[13]

Even autonomous colleges work under the watch and support of the UGC, the university and the state government. Colleges can design curriculum, develop new courses, and conduct of examinations, etc. All this is done with the concurrence and approval of the university. The college still remains 'affiliated' to the university and dependent on the government. Universities participate in different bodies of the college 'to help colleges to develop their academic programme, improve the faculty and provide necessary guidance'. The degrees are still awarded by the university; the university has still the power and responsibility to supervise the activities of the colleges; it is empowered even to withdraw the status of autonomy conferred; and so on (Palamattam 2003: 42). Colleges are also normally funded by the state government. Hence, the role of the state government and the universities does not necessarily get minimised in case of the autonomous colleges.

As Adiseshiah (1974) observed, the conditions and regulations did not mention that the colleges would have the freedom to define their objectives. Perhaps it is assumed that the objectives of the colleges must be the same as the widely accepted ones of higher education in general. If colleges are given freedom to define their own objectives, it is quite possible that autonomous colleges, which have the freedom to frame rules for admission, design courses of study and develop their own methods of evaluation, can, in principle, use these freedoms to suit their own objectives, sometimes in desirable and sometimes not necessarily socially desirable ways. Hence, the role of the government becomes much more important in seeing that the objectives of the college do not clash with national interests.

Thus, the universities, the UGC and the state governments still have an important role in the development of the colleges, even after they become autonomous. The principle of autonomy is based on trust. There should be trust among all the partners in higher education. The universities and states should feel proud of having a good number of good autonomous colleges, rather than fearing that they may lose their hegemony over the colleges.

Despite some of the assurances and clarifications often provided by the UGC in terms of revised guidelines, many colleges have not been forthcoming in seeking autonomy. One of the important issues can be that related to finances. The autonomous college, as a scheme, requires additional funds. The UGC itself was under serious financial crisis after the economic reforms policies were introduced in the beginning of the 1990s. The total funds available to UGC were frozen or at best increased at a very modest rate (see Tilak 2003), not allowing the UGC to pay serious attention to its special schemes like that of the autonomous colleges. For example, contrary to the impression that the financing norms discussed earlier indicate, autonomous colleges do not seem to have received sizeable funds. On average, the assistance per college varied between below Rs 100,000 to above Rs 600,000 during the Ninth Five Year Plan period (1992–97). These are averages. The differences between the old (more than 10 years old) and new colleges, and the differences in the requirements of the various colleges, may explain some of the annual variation. However, the variation seems to be too wide. An inadequate flow of grants may not make the scheme acceptable to many colleges, and even to the state governments.

TABLE 12.4: UGC's Financial Assistance to Autonomous Colleges in the Ninth Five Year Plan (1997–2002)

Year	*No. of colleges*	*Total assistance (Rs in million)*	*Average assistance per college (Rs in thousands)*
1997–98	119	29.50	248
1998–99	123	43.59	354
1999–2000	131	30.42	232
2000–01	131	85.37	652
2001–02	130	12.10	93

Source: Based on UGC *Annual Report*, 2001–02.

Why Do Colleges Opt for Autonomy?

While we have noted the reasons for the slow pace of increase in the number of autonomous colleges in the country over the years which explain why many colleges and universities have not been enthusiastic about autonomy, it may be interesting to examine why some colleges have opted for autonomy. The factors can be varied. The perceived benefits by the various actors, some of which are desirable and some unfair, can be listed as follows:

- Benefits to the management, such as freedom from the rigid control of the UGC, university and state government, more grants from the UGC—incentive grants, additional grants for visiting faculty, library/laboratory staff, etc., and other benefits, including control over the staff and scope to make personal monetary gains, though not necessarily in desirable ways.
- Benefits to teachers include scope for innovations in teaching, curriculum design, etc., scope for better evaluation of the students, likely availability of better infrastructure, control on students through internal evaluation, and prestige, status and social goodwill.
- Benefits to students include choice of credits, semester system and internal evaluation, grading, more options in courses, and higher employability.
- Benefits to the system include prestige and recognition.

Based on a survey of 19 autonomous colleges in three states, namely Tamil Nadu, Andhra Pradesh and Rajasthan, Rao (1999) described why at all some colleges opted for autonomy. The reasons given by the teachers of the colleges are summarised in Table 12.5. It is important to note that relatively a few teachers felt that autonomy was opted 'to enjoy more freedom' or because of the constraints of the affiliating system. In fact, these two were the least important factors. A very high proportion of teachers cited increased scope for introduction of new courses and methods of examinations as the two most important reasons.[14]

After all, these are the very objectives of the scheme of the autonomous colleges, as stated by the UGC. In this sense, wherever the scheme has been introduced, in a majority of the colleges it can be said that it has been a success, though in very few colleges it has rather 'failed', as autonomy was to be withdrawn or the colleges opted to go back on autonomy.

TABLE 12.5: Reasons for Opting for Autonomy by the Select Autonomous Colleges (Teachers' Perceptions)

Reasons	%
Enjoy more freedom	53.5
Introduce new courses	86.3
Have more financial assistance	75.0
Develop a 'separate entity'	73.3
Have a better administrative system	77.8
Avoid the constraints of the affiliating system	55.6
Have recognition and status	77.9
Try new methods of examinations	83.4
Have own admission policy	55.7
Achieve the objectives of the college	83.4

Source: Rao (1999).

Why Did Some Colleges Go Back on Autonomy?

The march on autonomy has not been steady and smooth. The autonomy granted to quite a few colleges was reversed after another review. The performance of the colleges is subject to review every five years. There are several incidents of the withdrawal of autonomous status granted earlier. For instance, the autonomous status of two colleges in Andhra Pradesh and five colleges in Madhya Pradesh was withdrawn in 2001–02. Probably, there were problems in the selection of colleges and in granting autonomy in the very first instance. In a sense, they might not have been of high standard and quality and, hence, did not deserve autonomy. The colleges might not have been ready for autonomy, the scheme might have been implemented in a hurry without proper arrangements and adequate homework, and the colleges may have underestimated the challenging requirements to function autonomously. Rigorous planning is needed on the part of the colleges to become autonomous. We also notice quite a few other problems. For example, in Rajasthan, it was reported that teachers, including the principals, were subject to frequent transfers, the UGC was not releasing grants to these colleges and the freedom to restructure the courses was denied to most of them.[15] There can be several other factors such as lack of infrastructure, inadequate and uninterested staff or inability to maintain standards and quality.[16] In short, perhaps they were not ready for autonomy, when it was granted. After all, the college should desire autonomy, deserve autonomy and earn autonomy; it is not something that is granted and imposed.

Performance of the Autonomous Colleges

A few attempts have been made at the evaluation of the scheme of autonomous colleges, and the functioning of the autonomous colleges has been examined in isolation (Sharma and Ahmed 1987; Jacob 2000; Palamattam 2003) and sometimes in comparison with non-autonomous colleges (for example, Rao 1999; Rao, Mathew and Samantray 1999). Several studies have found that the scheme worked, though slowly but satisfactorily, and that it needed to be expanded to more and more colleges. Palamattam (2003) reported, as one can expect, that the evaluation of autonomous colleges did not produce uniform results for every college—some were being assessed as good and successful, and some as not so good. But on the whole, the scheme worked, and many autonomous colleges have taken significant initiatives with regard to the following: (a) revamping of syllabi/curricular reorganisation; (b) introduction of innovative/new courses that are[17] inter-disciplinary, marketable/money-raising, specific to local needs (for example, vocational courses such as fabric printing, chalk making, tailoring, etc.), cultural (for example, dance, *bharatnatyam*, karate, etc.), provide value education (for example, life-oriented value education courses); (c) adoption of innovative methods of teaching using tutorial system or remedial/bridge courses; (d) adoption of methods of evaluation like the semester system and better methods of testing and internal evaluation, project work or practical papers, and grading; (e) introduction of a choice-based credit system; (f) new methods of admission; and (g) greater involvement of the staff.

Rao (1999) also reported the changes that were made after the selected colleges became autonomous, as perceived by the teachers (Table 12.6). Surprisingly, the figures in Table 12.6 are small proportions. Only about one-fourth to half the teachers found that important changes were made after autonomy. Less than half felt that new courses were introduced and new procedures for evaluation were adopted. Only one-fourth of the teachers felt that there was more decentralisation or new admission policies were formulated.

TABLE 12.6: Changes Introduced in Select Autonomous Colleges After Becoming Autonomous (Teachers' Perceptions)

Changes in	%
Admission policy	26.2
Evaluation procedures	48.0
Examinations	39.0
Introduction of new courses	47.0
Accountability of teachers	29.8
Decentralisation of powers	24.2

Source: Rao (1999).

Several evaluation studies have also reported that the teachers were satisfied with the kind of pedagogical changes that could be introduced. Balasubramanian (2004) reported the following based on another survey: (a) More than 82 per cent of the teachers of autonomous colleges felt that autonomy was a success in their college. (b) More than 63 per cent of the teachers felt that the various apprehensions about autonomy to colleges were baseless. (c) More than 60 per cent of the teachers were convinced that the expected advantages were achieved. (d) A majority of the teachers felt that the examination system was good. (e) The teachers were given autonomy in academic matters and behaved in a responsible manner. (f) All fears about elitism, unchecked powers to management, etc., were not valid.

The survey also covered the perceptions of students, a group which is otherwise taken for granted. In fact, the role of the students in the successful implementation of the scheme is assumed to be not significant and, hence, their views are rarely taken into account in any survey. But Balasubramanian (2004) elicited the opinions of the students as well. According to his survey, student reactions were highly positive on the performance of the autonomous colleges, as shown in Table 12.7. Very few found that autonomous colleges behaved in an autocratic manner. Some students observed that teachers showed favouritism to a few students. But for these two aspects, the impressions were mostly positive. Many autonomous colleges were found to have been able to mobilise financial resources, mobilise community participation, introduce the semester system, raise efficiency in management—reduce the time gap between decision-making and implementation—introduce useful extension activities, etc. The use of the library by staff and students increased and, in all, workload increased on the students as well as staff (Rao, Mathew and Samantray 1999). More than 75 per cent of the teachers and students were satisfied with the internal evaluation system.

TABLE 12.7: Performance of Autonomous Colleges (Students' Perceptions)

	%
Greater emphasis on study	83
More discipline is practiced	77
Favouritism to a few students by teachers	66
Satisfied with the exam system	>56
Continuous internal assessment is successful	72
Teachers coming well-prepared to the class	79
Autonomous colleges are democratic in style	59
Autonomous colleges are autocratic	11
Autonomous colleges are fair	18
Admission policy is good	70
Job potential is high	74
Standard of education improved	80
Teaching and evaluation improved	76
Promotion of academic freedom	73

Source: Balasubramanian (2004).

Interestingly, Palamattam's (2003) survey of 10 colleges revealed further that initiatives for autonomy came from the management, and the initiatives from the teachers were limited, though one might not be able to say that managements have forced autonomy on the teachers. Almost all studies that evaluated the performance of the autonomous colleges reported positive results, though some constraints were also noted. It is also widely recognised that functioning under autonomy was a long process and a challenging task.

Planning for autonomy was indeed a long process; many colleges adopted the trial-and-error method. Almost all colleges restructured their courses either partially or totally, though they did find problems in restructuring the courses due to lack of experts, lack of textbooks, delay and procedural constraints in getting approval from the university and financial problems. Many teachers improved their performance in classrooms. On the whole, the highest degree of success was reported to have been found where there was a high level of coordination among the various departments and functionaries.

Problems and Prospects

Higher education institutions in most countries of the world are autonomous. But during the British rule, India adopted the affiliating college system, which was increasingly found to have been a drag on the quality of higher education. A system of autonomous colleges is generally believed to be a much superior system, guaranteeing academic freedom and allowing experimentation and innovation with methods of teaching, syllabi, examinations, etc. The scheme of autonomous colleges introduced in India by the UGC was, accordingly, viewed as an important step towards improvement of higher education. But, it appears there have not been many takers. The growth in the number of colleges has been very slow, and out of nearly 13,000 colleges, hardly 1 per cent have become autonomous so far, though the process began about two-and-a-half decades and a half ago. Some feel that the present times are most conducive for the growth of autonomous colleges, as the government is slowly distancing itself from higher education, allowing decentralisation on the one hand, as recommended by the Gnanam Committee (UGC 1990) on university management, and on the other, as privatisation, globalisation and internationalisation of higher education, including the increasing role of WTO in higher education, were taking place.

Autonomy to colleges or the scheme of autonomous colleges is not the answer to the problem of deteriorating quality in higher education. But it is an important measure than can go a long way in this direction. To go for autonomy or not is the dilemma; the question is how to go for autonomy and when. But there are still several policy choices.

First, can and should all the colleges be made autonomous or only a select few, so that they can become real centres of excellence; or alternatively, should a very large number of, but not necessarily all, the colleges be made autonomous? While the government seems to favour the granting of autonomy to a large number of colleges, it may not be desirable or meaningfully possible to make a very large number of colleges autonomous. Very few defects in the concept of autonomy are known. A system of autonomous colleges may promote competition and the growth of a heterogeneous system, while the affiliated college system may help promote equality and coexistence. Hence, the replacement of the whole system of affiliated colleges with a system of autonomous colleges may lead to loss of uniformity in quality and standards in higher education and equivalence in courses and degrees offered by the same university, creating different kinds of problems. Therefore, it may not be desirable to make a very large number of colleges autonomous. Further, the positive features of autonomy can be preserved if it is restricted to a few colleges that are marked by excellence in performance.

Second, the present scheme of autonomous colleges provides for a large degree of academic autonomy, some degree of administrative autonomy and a very limited degree of financial autonomy. Yet, the degree of autonomy, particularly academic autonomy enjoyed by the autonomous colleges is considered to be quite significant in comparison with non-autonomous colleges. Some argue for 'full' autonomy to the colleges, essentially implying full financial autonomy, in addition to academic and administrative autonomy in all respects. Total autonomy, meaning freedom to decide and implement the decisions without the approval of the university or government, freedom in recruitment of teachers, admissions, fee fixation and mobilisation and utilisation of finances, is not given so far, nor is it envisaged in the present context. Full financial autonomy may imply freedom in fixing fee levels, and freedom to choose the various methods of mobilisation and utilisation of resources. This may prove to be counter-productive. Given the experience of self-financing colleges, such practices may result in questionable practices, restricting access of the poor and middle classes to higher education, and the deterioration in quality, thus defeating the very purpose of the scheme of autonomous colleges. Perhaps there is scope for marginally expanding the scope of autonomy, but full autonomy to colleges may not be desirable, as it leads to abdication of responsibilities by the government, the UGC and the universities, and leaves higher education rather completely to market forces.

Third, the Kothari Commission (Education Commission 1966) has recommended 'a graduated scale of autonomy'. Depending upon the performance of the college in various areas, gradually, limited to full-scale autonomy can be granted. Limited or partial autonomy may also induce the institutions to strive for better performance in more areas, finally to get qualified for full or complete autonomy. However, it may be noted that full-scale autonomy is not to be interpreted as full or total autonomy of the kind described above. Granting of autonomy should not mean abdication of responsibilities by the government, the university or the UGC. While autonomy means more freedom to the colleges, it is important that the university, government and bodies like the UGC not confine their roles just to monitoring and reviewing, but, more importantly, extend their role to help the colleges strengthen the teaching, research and extension activities in the college. The constant watch of the university and fear of withdrawal of the status of autonomy should make colleges continuously strive for the better and work towards the goal of self-sustenance. Universities should help autonomous colleges grow in their autonomous stature, providing intellectual and academic support, and guidance in teaching and strengthening research. Research in the colleges is one area that needs much support both from the university and other bodies like the UGC and the government. The colleges should be nurtured to be institutions of excellence, as proposed by the UGC in the 'Policy Frame' for the Ninth Five Year Plan (UGC 1996). Also, provisions have to be thought of for allowing participation of college students in the university programmes (for example, in competing for university prizes and medals).

Some have also argued that such colleges should be considered eventually for the status of deemed universities. Once a college is recognised as autonomous, and has completed, say, about 10 years as a successful autonomous college and has demonstrated consistent excellent performance, it would be better if it were liberally funded by the UGC, rather than conferred the status of a deemed university. In fact, all well-qualified autonomous colleges may better be financed by the UGC completely—plan and non-plan.

Autonomy without accountability may prove to be disastrous. In fact, some feel that what is needed is not autonomy, but accountability in higher education. Measures have to be introduced to increase transparency in the system and, at best, some degree of flexibility may have to be introduced in some colleges where the scope of introducing innovations in teaching and evaluation is high. However, even if autonomy is to be the key for development, mechanisms have to be developed to couple autonomy with accountability, and make the system autonomous as well as accountable. Further, under the present scheme, it is felt that students have no decision-making role at all. Incentives for the teachers are minor. They need to be expanded. Once colleges are made autonomous, perhaps they would require more competent staff for the sustenance of autonomy, even if they were not required for the introduction of autonomy. Some provisions may have to be made for additional faculty, particularly at the senior level.

In general, the recent policy of non-filling-up of the vacant teaching posts adds to the problem. There has been presently an official ban for the last several years in many states on the filling up of vacant posts, not to speak of creating new teaching posts.[18] Therefore, most colleges run with inadequate staff, which affects the quality of education considerably. In case of autonomous colleges, they have been given powers to recruit teachers, but only part-time and guest faculty. As a result, many autonomous colleges are found functioning with more part-time and guest faculty than regular qualified teaching faculty. Such faculty cannot be expected to take a serious role in teaching, or the research and extension activities of the college. This will have serious implications for the quality of instruction and the teaching-learning process in colleges, with a low level of commitment of the teachers to the academic profession. This may lead to serious erosion in the quality of higher education and may aggravate the problem in the long run. In fact, it may look ridiculous to think of providing academic autonomy to colleges (and others) and make them potential centres of excellence, without providing the necessary infrastructure—physical and human. With respect to human infrastructure, a high-quality, committed teaching staff is a critical need of the higher education system that aspires to become autonomous and excellent in teaching, research and extension.

Further, the UGC has been encouraging in recent years the setting up of self-financing colleges and introduction of self-financing courses in government and government-aided colleges. Self-financing colleges and self-financing courses in all colleges do not receive any State support and, hence, have to depend upon the resources they mobilise on their own, mainly through student fees. While many universities and colleges are introducing self-financing courses, autonomous colleges seem to be doing a little more in this regard. It is important to note that a high proportion of self-financing colleges in the total number of colleges, or a high proportion of self-financing courses in colleges and universities, may adversely affect the overall balance of courses of study in the colleges on the one hand, and on the other affect equity—access of the low- and middle-income groups to higher education in general and to these courses in particular. So the losses could be immense both with respect to 'efficiency' and equity in higher education. Given the problems of privatisation in higher education (see Tilak 1999), it is necessary to evolve sufficient safeguards to see that autonomy does not lead to privatisation eventually, as feared by many when the scheme was initiated.

'Grant of autonomy to colleges is a process of decentralisation. However, this process will not materialise into tangible results unless there is unreserved participation on the part of the entire community' (Ramamurti Committee 1990: 223). What is required is the committed involvement of the teachers, students, management, UGC, universities and government in making this process a success. Attaining or granting the status of autonomy is, however, not the end; it has to be viewed as an important instrument to improve quality of higher education, and reach higher and higher levels of excellence. Lastly and most importantly, among several objectives, higher education institutions and particularly autonomous colleges should, as Adiseshiah (1974) stated, focus on the pursuit of knowledge, which serves the development of the society, individualisation of the teaching and learning programme, and developing a sense of integrity and humanism in teachers and students. They should become a place where the art of living together, speaking together, winning and losing together the battle of knowledge in the service of society is experienced.

Endnotes

This paper was presented in the National Seminar on Autonomy for Colleges: New Dimensions, SBRR Mahajana First Grade College, Mysore, 10–11 September 2004.

[1] Most colleges, except those that are affiliated to, or constituent colleges of, central universities are funded and managed by the state (provincial) level governments.

[2] Alphonse and Jacob (2000) provide a compendium of information on the history of autonomous colleges in India. The book also includes recommendations of several committees, writings, speeches and other material on the subject.

[3] It may be interesting to note that the Education Commission, however, did not condemn the affiliated college system; it, instead, argued for improvement in the system. It observed, 'Affiliation should be regarded as a privilege which is to be continuously earned and deserved' (Education Commission 1966: 620).

[4] Though the use of modern technology has been included as a component of the scheme of autonomous colleges, it may be noted that the normal system of affiliated colleges does not prevent or prohibit the use of modern technology in classrooms.

[5] NAAC is a body established in 1994 for assessing and accrediting universities, colleges and other institutions of higher education. It functions independent of the autonomous status of the colleges.

[6] UGC is contemplating of allowing autonomous colleges to become degree-conferring institutions. (*The Hindu* 2003).

[7] The credit-based cafeteria approach was also proposed by the UGC in the Tenth FYP (1997–2002).

[8] *Deccan Herald* (2004).

[9] Such colleges receive financial support, 50 per cent of which can be used for items listed in the guidelines, and the remaining 50 per cent on other items with the approval of the UGC.

[10] *The Telegraph* (2003).

[11] A few other private autonomous colleges in the recent years have been updated to the status of 'deemed universities.'

[12] They are: Mount Carmel College, Jyoti Nivas College, Christ College, St Joseph's Colleges (Arts and Science Colleges, Evening College and Commerce College), National College (Jayanagar, Basavanagudi and Bagepalli), NMKRV College and Karnataka Chitrakala Praishath College of Fine Arts (*Deccan Herald* 2004).

[13] It is only recently that several people have raised the issue of granting autonomy to all private self-financing colleges that do not receive any financial support from the State.

[14] Perhaps 'to enjoy freedom' is too vague a description. After all, freedom to introduce new courses, and freedom to introduce new methods of examinations, are not altogether different from 'to enjoy freedom'.

[15] *Report of the Committee on Autonomous Colleges in Rajasthan*, Jaipur, 1987, 51–61.

[16] While Rao (1999) and others studied autonomous colleges in comparison with a few non-autonomous colleges, it would have been more interesting to study a few colleges that have opted to go back on autonomy, and analyse the factors responsible for the same.

[17] Under the programme of introduction of vocational courses in colleges, the UGC encourages the introduction of vocational and technical courses in all colleges, and under the programme of self-financing courses, the UGC also allows the introduction of several new courses in all colleges, including non-autonomous colleges. Autonomous colleges have

an advantage in starting such new courses, as they enjoy the freedom of starting them with very few formalities.

[18] This is one of the measures that the government found easy to adopt after the economic restructuring policies were introduced in the economy—to downsize the public institutions in terms of staff, and to save public resources.

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POLICY CRISIS IN HIGHER EDUCATION

Reform or Deform?[*]

Higher education in India is engulfed in several problems and major reforms are long overdue. Unfortunately, the system has been characterised with a big policy vacuum for a long period (Tilak 2004). Somewhat surprisingly, all of a sudden, there is now a rush for reforms. It is a period of speedy reforms intended to be brought through a series of legislative measures. According to media reports, there are currently eight or nine bills being formulated by the MHRD of the Government of India relating to reforming higher education and they are at various stages—some are approved by the Union Cabinet, some are subjected to consultation, some are made available for public discussion, some are still treated as 'secret' and are not available to the public, some have already been placed on the table of the Parliament, some have gone to Parliament Standing Committees, some have been passed by the Parliament, and probably all are ready for introduction/passage in the Parliament. These bills are: (a) the Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010, (b) the Prohibition of Unfair

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Practices in Technical Educational Institutions, Medical Educational Institutions and University Bill, 2010, (c) the Educational Tribunals Bill, 2010, (d) the National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010, (e) the Universities for Innovation Bill, 2010, (f) the National Commission for Higher Education and Research (NCHER) Bill, 2010, (g) the Protection and Utilisation of Public Funded Intellectual Property Bill, 2008, (h) the National Academic Depository Bill, and, may be, (i) a bill to enable public-private partnership in education. There may be many more bills in the pipeline.[1] The first four of these bills were introduced in Parliament on 3 May 2010[2] and the bill on intellectual property was introduced a couple of years ago. The Universities for Innovation Bill perhaps, along with the others, is likely to be introduced in the winter session of the Parliament. The bill on the educational tribunals, tabled in Parliament without considering any recommendations of the Parliamentary Standing Committee to which it was referred earlier for review, was passed by the Lok Sabha, but could not go through the monsoon session of the Rajya Sabha, as there has been opposition from the members of the ruling party, besides others. It has been deferred for the next session of the Parliament.

It may be necessary to look at all these bills and the other initiatives being taken together, as they constitute a package of reforms that the government plans to make for the development of higher education. However, at the same time, each one has also to be examined in detail, as each one individually and all collectively have serious long-term implications for the development of higher education in the country. This chapter provides a short commentary of five of these bills.

At the outset, it may be noted that these legislative measures have been initiated in the backdrop of three major reports on higher education, prepared by the high-level committees appointed by the Union Government in the recent past. They are: the Ambani–Birla Committee report on higher education (Government of India 2000), the Report(s) to the Nation of the National Knowledge Commission (Government of India 2007a, 2008), both chaired by top industrialists, and the report submitted by the Yashpal

Committee, chaired by an educationist (Government of India 2009). The Ambani–Birla Committee, though noted the critical importance of the role of the State in the development of higher education in several developed countries of the world, strongly suggested that the Government of India leave higher education altogether to the private sector, lock, stock and barrel, and that the government confine itself to school education. Further, it pleaded for legislation of the Private University Bill, which was pending in the Rajya Sabha since 1995,[3] and also suggested that the user-pay principle be *strictly* enforced in higher education (Tilak 2007). The NKC also made similar recommendations.[4] It further favoured opening the Indian higher education scene to foreign universities and allowing Indian universities to go abroad—mainly for trade in higher education. The Yashpal Committee has argued more for the rejuvenation of higher education, defragmentation of knowledge and care in relying on private university systems and even internationalisation. It has also favoured less regulation of the universities by the government, stating that universities should be self-regulating institutions.

The Bills

As reflected in several of the legislative initiatives taken by the Government of India, there are a few underlying assumptions and features that bind these bills together. First, they reflect a new understanding of the government on the role of the State in the development of higher education. Traditionally, the State has been an active player in policymaking, planning and providing higher education. The emerging assumption is that the State can minimise its role in higher education, not because of lack of funds, but because of the emerging conviction that higher education is not a sector that the government should be bothered about. The government can adopt a policy of *laissez-faireism* and, at best, confine to its role as an enabler, one which provides a loose framework of rules and regulations for those who wish to enter into the business of education. In a sense, these bills assume that higher education can be left to a large extent to the markets. Second, formulated in the neo-liberal environment, all the bills assume either explicitly or implicitly, and even encourage, the commoditisation of higher education and, consequently, privatisation and even commercialisation of higher education. The corporate sector is given an enhanced role in higher education—members of the corporate sector are to be made members of the governing bodies of some of the new institutions that are proposed to be set up. In fact, a few institutions are to be established under the Companies Act! Third, several bills perceive higher education as one that is to serve more global needs than national social and economic purposes. The bills aim at making India a global education hub that serves global markets. Fourth, the underlying assumption of all the bills is that the existing institutions cannot be reformed and that they need to be replaced by new structures; or that even if they are restructured and revitalised, they will not serve the neo-liberal goals, as they were set up in a period characterised by an altogether different development paradigm. Hence, it is assumed that it would be better if altogether new organisations were established. Fifth, while some of the bills (like the bill that prohibits unfair practices and the one meant to set up educational tribunals) are ostensibly very well-intended, they mark only a very small step in the right direction and are highly inadequate to solve the problems and innumerable unfair and corrupt practices that our higher education system is inflicted with. Sixth, in contrast to the policy initiatives made earlier, after extensive consultations in the meetings of the Central Advisory Board of Education, in which education ministers of all states participate, the process of making these bills does not recognise the need to consult the states on issues relating to education, which is a concurrent subject that state governments spend considerable amounts on—in fact, states spend higher than what the Union Government does—affecting the 'meaningful' relationship between the centre and the states that the National Policy on Education (1986) promised. Only in case of the bill relating to the National Commission for Higher Education and Research (NCHER) there have been extensive public discussions and also discussions in the Central Advisory Board of Education meeting. Seventh, the way the four bills were introduced in Parliament without any prior consultation with the public marks some kind of a haste and secrecy on the part of the government, which are not necessary in a democracy like ours in launching a package of reforms. Further, the several bills also highlight the lack of cohesion, if not presence of friction, between the several ministries/departments involved in higher education, as the coverage of some of the bills excludes institutions of higher education run by different ministries/departments, like health and agriculture, and even sub-departments of the Department of Education, like teacher education, and some ministries/departments have already proposed parallel legislations. Lastly, the several bills are together characterised by an absence of a long-term and a holistic vision of development of the society and the role of education therein.

Every bill looks like a quick-fix solution, poor and inadequate, to a specific problem. For example, it is well noted that the present size of the system of higher education is highly inadequate and that the government does not have sufficient resources for large-scale expansion. The Foreign Educational Institutions Bill is viewed as a solution to this. The problem of the quality of education and lack of autonomy is to be tackled with the setting up of innovation universities, as proposed in the Innovation Universities Bill. The issue of the absence of a national database of academic records and awards is to be dealt with by the proposed National Academic Depository Bill that aims at building an efficient electronic database, facilitating secure storage, efficient retrieval, etc., by the central and state governments. The problem of the inadequate and ineffective system of regulation because of the existence of a large number of regulating bodies is to be tackled by the bill that proposes the setting up of the NCHER. That there are several unfair and corrupt practices prevalent in our institutions of higher education is acknowledged in the bill that prohibits unfair practices. The problem that our higher education system is vexed with numerous legal conflicts that are pending in courts for several years, has to be answered by the Educational Tribunal Bills. The Bill for National Accreditation Authority has to ensure improved methods of accreditation and assessment and to make accreditation mandatory for all. The Educational Tribunal Bill and the National Accreditation Authority Bill are also expected to meet the requirements of the WTO and GATS, which insist on setting up methods of transparency and grievance redressal mechanisms. Thus, these several bills view higher education in small fragments and not as a holistic process. The bills also do not recognise the need to strengthen the existing institutions. Further, the solutions thought of in the form of the bills are inadequate in some cases, and not necessarily based on sound thinking. One also notices that no effort to relate one bill to the other is made. As shown later, some of these bills are ill-conceived and are based on questionable presumptions and untenable assumptions. Broadly, they lack an overall long-term holistic vision for development of higher education.

The Foreign Educational Institutions Bill

The Foreign Educational Institutions Bill was first introduced in the Rajya Sabha in 1995 (Government of India 2007b) and was later revived in 2007, but could not go through Parliament proceedings. The government has promised that it would reintroduce the bill after making suitable amendments. The present government has resolved immediately after resuming office for the second term to work for the enactment of the bill. Now, a fresh bill, namely the Foreign Educational Institutions (Regulation of Entry and Operations) Bill has been approved by the Cabinet and introduced in Parliament.[5]

This bill is considered by the government as 'a milestone which will enhance choices, increase competition and benchmark quality. A larger revolution than even in the telecom sector awaits us.' The stated objective of this bill—'to regulate entry and operation of foreign educational institutions imparting or intending to impart higher education is based on certain faulty assumptions that the government makes, some of which are clear from the pronouncements of the government in the overall context of this and other bills. They are: (a) once the bill is passed, huge foreign direct investment (FDI) will flow into India; (b) top-ranking universities will come to India and provide access to high-quality education to the Indian students in India, that too at a fraction of the cost of normal foreign education, as students will save on travel and costs of living abroad, besides partial savings on tuition, etc.; (c) India will save huge foreign exchange, which is now going out, with students numbering about 100,000 going abroad every year for studies, which is estimated to be around US$ 7.5 billion a year; (d) foreign institutions not only provide high-quality education, they also contribute to improvement in the quality of overall education, as their entry will result in competition, and competition automatically improves quality and efficiency; and most importantly, (e) foreign institutions will come to India to solve our problems relating to inadequate access, quality and funding in higher education and, hence, the government can reduce substantially, if not minimise, its responsibility of providing education to the people.

There is no basis to argue that any of these assumptions is tenable. First, since 100 per cent foreign direct investment is allowed on 'automatic route' in higher education, it is assumed that the bill is going to open the floodgates for many foreign universities and that they will come with huge capital to invest in India. But foreign universities are found to be more interested (a) in taking students to their home universities, as that yields more revenues to their universities and their economies at large and also promotes diversity on their university campuses, and (b) if at all necessary, in having collaboration with their Indian counterparts in the form of twinning and other similar arrangements that involve the use of locally available infrastructure, than in coming to India with a huge capital to invest in building university campuses in India. In the recent past, this has been stated very clearly by some of the visiting ministers and university delegations from abroad. So, to claim that higher education through this bill will become the 'largest foreign direct investment earner' may not be justifiable.

Second, recent indications make it clear that no top-ranking university is eager to come to India or to other developing countries to offer quality education programmes. It is the two-tier and three-tier universities which would be interested in coming to India to exploit the huge markets and offer low-quality programmes, even unaccredited programmes, taking advantage of the loopholes in our rules and regulations and our weak regulatory mechanism. Top-ranking universities are interested in India, but only for collaboration in high-quality research activities, not for normal degree programmes. This does not result in the flow of FDI and setting up of foreign universities on Indian soil. Further, even if top-ranking universities come to India to offer education programmes, it is important to note that only those newly created wings of those universities, whose mandate is to go abroad to raise resources on a business mode, will come to India so that they can make money and cross-subsidise the education of their native students.

Third, the Foreign Educational Institutions Bill is seen as one that provides great opportunities for Indian students to study in their home country, only without feeling the need to go abroad, and the flight of the students abroad will stop. It is important to note that many students who go abroad do so not only for a degree, but also to study in a foreign university in a foreign atmosphere, and settle there at least with a work permit. A large number of those who go abroad for studies will not opt to study in a foreign university within India. Even if foreign universities set up campuses in India, they will not be able to transplant the whole ambiance of a foreign university and its socio-political milieu in India. Hence, these will not be attractive to a large number of students who nowadays go abroad. The students will continue to emigrate in growing numbers. Therefore, to say that we will save huge foreign exchange may not be right.

Fourth, if at all the entry of foreign institutions results in any competition, that will be between unequals, as many of our public and even private institutions are severely starved of resources—financial and physical as well as teachers—and are subject to tough regulations of the government, while the foreign universities will be least subject to any regulation of the government. Competition between unequals will be unhealthy, producing unhealthy results. More importantly, competition does not necessarily result in an improvement in quality and efficiency. It can indeed produce avoidable costs to the society.

Lastly, the most untenable assumption is that the goal of the foreign institutions is the development of our nation and that they will come here to solve our problems relating to inequitable access, falling standards and scarcity of public finances—the three most important problems that the Indian higher education system faces. One should note that the foreign institutions come here to solve their own problems; even some of the best universities in the West are increasingly experiencing falling enrolments and facing a shortage of public funds, and they are encouraged by their governments to go abroad to make money. They will not be interested in offering solutions to our problems of inadequate access, poor quality and resource scarcity. The assumption that foreign institutions will expand access to higher education and help in boosting the gross enrolment ratio in higher education to our goal of 30 per cent is highly contestable, given their interests and the relative magnitude of the number of students who join foreign institutions, which will have an unregulated fee structure. The entry of foreign universities will help neither our higher education system nor our economy in any significant way. It may have adverse effects. There is no evidence of any developing country having prospered educationally or economically by relying on foreign universities. In fact, the evidence is abundant to show that strong and vibrant higher education systems are built mainly by the governments and with public funds.

The two important features of this draft bill are very striking. According to the bill, the role of the Government of India or bodies like the UGC (or any other body to come up in its place, namely the NCHER discussed later in this chapter) will be extremely limited in the case of the foreign institutions. The role of the government will be confined to granting permission to set up such institutions. The government will have no role in administration—admissions (forget about reservations), fee policies, recruitment of faculty or other staff, domestic or foreign, their qualifications, salary structure, etc. It will have no role in academic aspects of the institutions, such as curriculum, methods of teaching, evaluation and examination system, recognition of degrees, etc. It will also not have a role of any kind in the governance of the institutions and there will be no supervision of any aspect, accreditation or assessment by any Indian body. All this will mean a very high degree of *laissez-faireism*—non-involvement of the government in the higher education to be provided by foreign institutions. To allay any doubts that the government might formulate rules later, the bill clearly states that further rules will be made only to clarify the provisions of the Act and that no rules will be made two years after the Act is instated.

The second feature, which is a corollary to the first, refers to the complete freehand given to foreign institutions in all matters from the setting up of the institutions to running them. Once they get the permission from the government, which also would not require any promise or statement, if not an affidavit, on any of the above issues, these institutions can decide on every major and minor issue on their own. They will not have to even submit annual reports to the government. Their operations and performance will not be subject to any examination by anybody. There is no provision for any kind of social control and they are accountable to none. This reflects the neo-liberal government's unquestioned faith in markets. One doubts whether even in a free-market economy any educational institution is so free to do whatever it wants to do, and whether governments in those countries have so much faith in the markets, and they opt only to be onlookers.

However, this bill provides for the revoking of the status granted to a foreign institution 'if the [University Grants] Commission is satisfied that someone has violated any provisions of this Act or of the University Grants Commission Act 1956 or any other Act in force in India' (Government of India 2010a). But how will the UGC be satisfied? After all, it does not have any overseeing powers, if not supervising and inspecting responsibilities; it does not have to receive any reports on the activities or practices of the institutions or its accounts, or on any activity; nor does it have to visit the universities for inspection or for any purpose. The bill offers two kinds of guarantees to promote the entry and flourishing of foreign institutions. It guarantees a speedy process of applications—the concerned statutory authority is to give the recommendation to the registrar within three months after receipt of the application from the foreign institution; the registrar will have to submit the report to the UGC within six months and the UGC will have to tender advice to the Central Government within 30 days; and the Central Government will notify or communicate the rejection within a period of 30 days. Everything will be done in fast-track mode, in all within a period of eight months. The second kind of assurance is to the students—they need not worry or feel the need to be too cautious in taking admission in these universities. The bill guarantees to the students that they will be taken care of in case of any eventuality. The bill states that in case of the withdrawal of the foreign education provider for whatever reason, the Central Government shall make alternative educational facilities available for students.

According to the bill, the conditions to get permission to set up a foreign institution in India are very minimal. An institution has to have the experience of offering educational services for about 20 years; it has to deposit Rs 50 crores as a corpus fund; it has to offer courses of study, which should be 'in conformity with the standards laid down by the statutory authority' (Government of India 2010a) and of the quality as those offered in the main campus of the university in the country in which it is established; it cannot repatriate surplus revenues; 75 per cent of the revenues generated should be used for the development of the institution in India and 25 per cent deposited into the corpus fund; and it has to publish a prospectus of the institution, giving details on fees, number of seats, admission criteria, etc. The bill provides for an exemption from the conditions, which are so minimal, in case of reputed institutions with international standing, except the condition relating to the use of surplus revenues. The criteria for granting exemption will be formulated by the government later.

While we need actually tough regulations, as foreign institutions and international forces are very strong and their activities cannot be easily controlled, the Foreign Educational Institutions Bill provides for token regulations only. In the recent years, there has been talk that these institutions will be recognised as deemed universities and the rules and regulations applicable to deemed universities will be applicable to them too; further, these institutions would be subject to the policies of the Government of India relating to reservations in student admissions, their fee structure would be regulated, and the courses they offer would have to be recognised by the parent universities abroad as well as by Indian bodies. But none of these conditions figure in the draft bill! It is important to note that some of the countries that have allowed the entry of foreign institutions have laid down strict conditions regarding the accreditation of courses and also enrolment of native and foreign students, besides regulations regarding faculty, physical infrastructure and other aspects. Quite surprisingly, the draft bill in India makes no mention of any condition regarding accreditation and recognition of the courses of study by the appropriate public bodies, either in the country of origin or in India, if not both.

The bill makes a distinction between a 'foreign educational institution' and 'foreign education provider'. The latter is the one which is recognised by the Union Government to enter India and offer educational programmes in India; the foreign educational institution is one which is established or incorporated outside India and has been offering educational services in the country in which it is established or incorporated, and offers or proposes to offer educational programmes in India through conventional methods, independently or in collaboration with any institution in India. In other words, the latter is not recognised by the Government of India. One would expect that such a bill would require these institutions to seek formal permission from the government to continue their activities, and apply for recognition of their education programmes, or to quit so that all the foreign educational institutions come under the purview of one common set of regulations. The bill does not propose anything of this kind. Only those institutions which intend to offer degree/diploma or equivalent programmes have to take permission. As the bill states,

> No foreign educational institution shall admit any person as a student, or collect any fee from such person or its students in India for any course of study leading to the award of a degree or a diploma, by whatever name called, unless such institution has been notified by the Central Government as a foreign education provider... (Government of India 2010a)

The bill not only recognises that non-recognised institutions exist in India, but also allows for their continuation in India without seeking permission from the government. They will, of course, be required, according to the bill, to furnish a report about their activities to the UGC and publish the information on their website. The question is why will they do it, particularly, as an institution which is permitted and notified by the government to carry on its operations in India does not have to submit any report to anyone. So the on-going businesses, however murky they may be, of several unauthorised foreign educational institutions can go on uninterrupted and the bill will have no impact on these institutions.

The bill, which was titled in its earlier form in 2007 as the Foreign Educational Institutions (Regulation of Entry and Operations, Maintenance of Quality and Prevention of Commercialisation) Bill, is now simply called the Foreign Educational Institutions (Regulation of Entry and Operations) Bill, probably because of the realisation that the maintenance of quality and prevention of commercialisation of higher education are goals too difficult to be achieved by this bill. The private sector has extended a red-carpet welcome to the bill, probably expecting that eventually the government would be forced to extend similar freedom with a token minimal set of regulations to them too in order to provide a level playing field for ensuring competition, etc. The private sector might view it as an added opportunity for the private institutions to work together with foreign institutions to relegate the public higher education system to a distant insignificant second place on the higher education scene in the country, as it is already happening in the case of higher professional and technical education in some of the major states in India.

As stated in the 'Statement of Objects and Reasons' of the bill, 'there is no comprehensive and effective policy for regulation on the operations of all the foreign educational institutions in the country' (Government of India 2010a). It is also stated that 'due to lack of policy or regulatory regime it has been very difficult to make meaningful assess of the operations of the foreign educational institutions'. One wonders whether the bill provides any *comprehensive* and *effective policy* and helps make any *meaningful assessment* of the operations of these institutions, and whether the bill helps 'to maintain the standards of higher education within the country'.

In the recent past, the Yashpal Committee and a committee of experts constituted specifically to look into this issue under the chairmanship of C. N. R. Rao (Government of India 2006) have suggested caution in the whole approach; they have suggested the adoption of a highly selective approach, identifying and inviting a few best universities in the world to come to India and offer education programmes, and not offering a blanket entry permit for all kinds of institutions—which treat higher education as an international tradable commodity meant for profit-making, and not as a public good—to come and do business in higher education. Unfortunately, the bill does exactly what these committees recommended against. It treats higher education as a tradable commodity. The stated objective of the bill is 'to provide for regulation of entry and operation of foreign educational institutions ...' (Government of India 2010a), but the actual objective seemed to facilitate easy entry of foreign institutions into India and to help smoothen the process of the Government of India making a commitment of higher education to the WTO under the framework of the GATS, an issue which has been pending for the past several years, particularly after the confusion created by making an 'initial' offer and a 'revised' offer to the GATS in 2005.

The Bill on Unfair Practices in Higher Education

The unfair practices adopted by many institutions, particularly private institutions of higher education in India, are widely known and they include a vast variety, starting from the period of founding of an institution and getting recognition from the government to the conducting of examinations and awarding of degrees. In between, a multitude of unfair methods that are practiced over areas such as admissions, levying of fees, recruitment of teaching and non-teaching staff, payment of salaries, assessment and accreditation of courses of study and various other aspects, all of which come broadly under the label of corruption. Several private universities and colleges are established without proper permission from the appropriate bodies; students are admitted in these universities and degree and diploma programmes not recognised by the government are offered; and, accordingly, fake certificates are issued. The existing laws are found to be highly inadequate to deal with a whole host of such issues. Except the UGC periodically publishing a list of fake universities and other institutions, and the government issuing 'advisories' in the form of advertisements to students and parents to be aware of dubious claims of dubious institutions, the government is not able to do anything even with respect to those very fake universities. Despite such periodic announcements by the government, business goes on in broad daylight without any problem in those institutions.

The MHRD and UGC have attempted in the recent past to frame rules and regulations relating to admissions and fees in private professional institutions in 2005 and 2007[6] with a view to check some of these malpractices and even to regulate the growth of private institutions. But they could not be finalised. Some states have formulated their own rules and regulations. In the meanwhile, the growth of private institutions continues rapidly, along with all unscrupulous methods in their academic and non-academic operations, necessitating frequent judiciary intervention, sometimes to the discomfort of the students, the institutions and even the government. The judgements of the high courts and Supreme Court have also been not consistent.

Given all this, one would expect a comprehensive legislation that checks unfair practices of a wide variety in the higher educational institutions and guarantees equitable access to quality higher professional education to the meritorious students. The bill titled 'Prohibition of Unfair Practices in Technical Educational Institutions, Medical Educational Institutions and Universities Bill, 2010', which aims at the prohibition of unfair practices in higher educational institutions, and was introduced in Parliament a few weeks ago by the Minister for Human Resource Development, has to be seen in this broad context. The bill signifies, in a sense, an acknowledgement of the widespread prevalence of unfair practices in our institutions of higher education and marks a small and an inadequate effort on the part of the Government of India to tackle the problem. In a sense, the bill is only a partial response to a large and widespread disease, and does not even cover some of the vital issues covered by the draft framework of rules and regulations formulated earlier by the UGC and MHRD. Not only are the several areas of practices by the private institutions not covered in this bill, it also does not provide for any role for the State. Earlier formulations had provided for elaborate mechanisms for the State, including state governments, to regulate the admission procedures, fees, etc., and check several other undesirable practices. The limits of this bill are unnecessarily narrowly confined to a select few issues.

How far will the bill be able to check the widely prevalent malpractices in higher educational institutions in India? From the very title of the bill, it appears that it is not comprehensive enough to deal with a wide range of corrupt practices prevalent in several educational institutions in India. For no understandable reason, its scope is restricted to technical and medical institutions, and universities including deemed universities; it excludes other universities, colleges for general and professional education and other institutions of higher general education, including, notably, colleges for teacher education, besides all school-level institutions. After all, unfair practices are not confined to medical and technical colleges and universities. Colleges for general education and even junior (intermediate) colleges are severely inflicted with such diseases, though the magnitude of corruption involved may be low. Ideally, the bill should have covered all educational institutions at all levels in the country.

Second and more importantly, even from a cursory look at the several clauses mentioned on the contents pages of the bill, one notes that it is largely confined to practices relating to student admissions and fees. Though these two are very important issues, there is no reason to exclude other unfair practices from the ambit of the bill. For example, the bill does not state anything about the practices of unrecognised institutions of higher education offering degrees and diplomas. Even recognised institutions, despite the bill, can continue their business without any dedicated quality faculty in required numbers, or infrastructure, including laboratories, libraries, playgrounds etc. Second, underpayment of salaries to the teachers, which is still a widely prevalent practice, does not attract any penalty under this bill. Any misinformation given to the public bodies while seeking recognition, accreditation or assessment is not covered by the bill. One of the most commonly known practices of the private institutions has been hiring of faculty, furniture and equipment (and even patients in case of medical institutions) strictly for the duration of the visits of the inspection/assessment teams. Similarly, it is very common for a small society or trust owned primarily by a single person, who happens to be either a big businessman or a political heavy-weight, to run a chain of aided or unaided undergraduate colleges offering general, technical or medical education, sometimes all types of levels of education. Only a few teachers are appointed in these colleges, who are required to teach in more than one college, necessitating a shift in their duties from one college to the other during the day or week; but they are paid salaries from one college account only, that too much below the officially approved salaries. The bill also does not refer to the violation of public policies, say, protective discrimination or reservations for the weaker sections of society in admissions or recruitment of faculty and other staff members. The bill chooses to ignore many more such familiar corrupt and unfair practices prevalent in several private (and some public) institutions. The Statement of Objects and Reasons of the Bill does refer to a couple of other unfair practices such as engagement of unqualified or ineligible teaching faculty and low quality delivery of education services; but they do not figure in the bill.

The bill stated that the charging of capitation fee or donation is an unfair practice; but it does not refer to the charging of fees much above the costs of the programme or of running the institution as an offence. Charging fees or any amount of a given fees that are not mentioned in the prospectus is an offence. Only with respect to the price of the prospectus it is mentioned that the price should not be more than the 'reasonable cost of its publication and distribution' (Government of India 2010e). While the bill intends to promote transparency in the functioning of the institutions, it does not prohibit, for example, profit-making and commercialisation of higher education. So long as a practice is transparent, it is acceptable, even if it is an unfair and corrupt practice.

The bill concentrates on non-transparent and questionable admission processes—admission without entrance test, charging of capitation fees and donations for admitting students, not issuing receipts in respect of payments made by students, not refunding the fee in case of withdrawal of admission, forcible withholding of original certificates and other documents of students, and false claims made in the advertisements, etc. While the charging of capitation fee/donation is a cognisable offence, all other offences are to be treated, according to the bill, non-cognisable. It does not state how much can the fees be, or how much of it should be, refunded in case of withdrawal by the students, etc. It only requires the institutions to publish a detailed prospectus, making the practices transparent. The bill does not even state that non-submission of prospects, annual reports and financial statements to public bodies, as required by law, is an offence. The bill only states that the government or an appropriate statutory authority has the power to call, by a general or special order, for information from any institution periodically or as and when required. But non-furnishing of the information is not considered an offence on the part of the institution. There is no punishment for offering unrecognised courses of study and bogus degrees to the students or for any other kind of corrupt practices. Further, the bill provides for monetary penalties up to Rs 50 lakh for many of the offences listed in the bill. The amount of penalty seems to be very small for institutions that charge capitation fees of Rs 15–20 lakh per student for admission. Interestingly, not only charging of capitation fees or donation is an offence, but the bill also prohibits the payment of, or even to an offer to pay, capitation fees or donation by a person for admission, though the penalty in such cases is not specified.

Further, the bill seems to provide for the non-applicability of the bill to minority institutions, though this is not very clear. Such an exemption is unwarranted. No institutions should be allowed to follow corrupt and unfair practices. After all, it is an unfair practice. Second, if it is proved that an offence is committed without one's knowledge, he/she is not liable to be punished, according to the bill. If an offence is committed in an institution without the knowledge of the head or the manager of the institution, one would expect that at least the institution, if not the individual, is punished. Third, the rationale of Clause 18 is not clear. This clause does not allow the courts to take cognizance of any offence under this Act, committed by any institution or persons, *except on the complaint in writing of such person authorised by the central government or the state government in that behalf or any such person authorised by the concerned appropriate statutory authority, as may be prescribed.* After all, often, it is not government action, but the action of an individual or member of the civil society that helps in such contexts. In short, the Bill on Unfair Practices in Higher Education, though well-intended, seems highly inadequate to tackle the host of corrupt and unfair practices being adopted by many of our institutions of higher education (Tilak 2010c). The Educational Tribunals Bill, which also deals with unfair practices, has to be examined in this context.

The Educational Tribunals Bill

This bill recognises the rapid growth in litigations involving students, teachers, other employees, and managements of institutions, universities, statutory bodies and even the Union and state governments on matters relating to education and the need for speedy resolution of the disputes for efficient functioning of the higher education system. Many of these litigations relate to private education. Hence, the bill essentially aims at the private institutions, though this is not explicitly stated anywhere in the bill. Given the plethora of private institutions of higher education and the rapid growth of the consequent disputes, many of which have been pending in large numbers in civil courts for years, one would welcome such a bill as a significant piece of legislation, even though the experience with respect to tribunals in other areas in India does not seem very encouraging. After all, this was promised in the National Policy on Education (1986) and was also recommended by the Supreme Court while delivering the judgment in the T. M. A. Pai case (*versus* the Government of Karnataka in 2002), by the Law Commission and recently by the Yashpal Committee. The promise made 24 years ago in the National Policy on Education (1986) was forgotten for all these years. Now the urgency is probably realised, as the tribunals are also considered a prerequisite for promoting trade in higher education under the framework of the GATS.

The bill provides for the establishment of a two-tier judicial structure at the national and state levels—the National Educational Tribunal and also State Educational Tribunals.[7] The provision for the setting up of state tribunals is made in the bill prepared by the Union Government without any prior consultation with the state governments, not to speak of wider public consultation with the existing regulatory bodies and higher education institutions! The states, for example, Punjab, which already have State Educational Tribunals may have to make the necessary changes in their legislation, as the national Act, when passed, shall have overriding effect on all the existing laws. The national tribunal shall have appellate jurisdiction on orders of the state tribunals. The orders of the tribunals shall be equivalent to the decree of a civil court. If the orders of the tribunals are not complied with, there are provisions in the bill for punishments—imprisonment for a maximum of three years and/or with a fine of up to Rs 10 lakh. The tribunals are expected to act as forums for fast-track and speedy resolution of the issues in higher education, reducing the burden on the courts.

The National Educational Tribunal shall entertain disputes between higher education institutions and statutory regulatory bodies, any hear reference made to it by any statutory regulatory authorities, and settle disputes between the constituent or affiliated units (for example, colleges) and the affiliating unit (for example, the university). It will also consider matters involving institutes located in two or more states. It seems that the national tribunal does not consider any dispute between students or staff and the managements or statutory authorities or the governments, which seem to be the most predominant category of all disputes in higher education institutions. The State Educational Tribunals shall take up such disputes, though students are not explicitly referred to. Clause 15 refers only to the service matters of teachers and other employees of higher education institutions, matters relating to affiliation, unfair practices and other matters as assigned by any other law for the time being in force. It is not exactly clear whether students can go to the tribunals against unfair practices of the institutions or the governments, or other statutory authorities. Second, it is also not clear what will happen to the disputes between the students or staff and, say, a central university or central statutory authority. Third, neither this bill on educational tribunals, nor the bill on unfair practices, as already mentioned, defines the scope and nature of unfair practices and, exhaustively, the practices. In a sense, the gamut of disputes that the tribunals will adjudicate is not clearly defined. The bill excludes institutions of higher education engaged in agricultural education and research. It also shall not apply to minority institutions relating to those aspects which conflict with the provisions of the Minority Educational Institutions Act, 2004.

The bill provides for the prevention of civil courts to entertain any suit relating to an issue that comes under the purview of the educational tribunals. No court can take cognizance of an offence except on the complaint of an officer authorised by the national or state tribunals. The civil courts are also prevented from intervening in the proceedings of the tribunals.'[N]o injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act' (Clause 47, Government of India 2010b). However, there is a provision for appeal against the decisions of the National Educational Tribunal in the Supreme Court, but such a provision is not provided at the state level, that is, no appeal can be made in the high courts against the order of the State Educational Tribunal. Only the National Educational Tribunal can be approached. The exclusion of the jurisdiction of the civil courts may not necessarily be desirable, given that the efficacy of the tribunals is yet to be tested.

While the chairperson of the tribunals will necessarily be a judge of the Supreme Court of high court, all the other members of the tribunals will not necessarily be those with any experience in the judiciary. The state tribunal will have only two members—an academic member (one who is or has been a vice-chancellor) and an administrative member (one who is or has been a Secretary).In case of the National Educational Tribunal, there shall be two judicial, three academic and three administrative members. In all, the non-judicial members are in a majority in both the state and national tribunals. More importantly, the non-judicial members can be those who are quite likely involved in making those very policies or in implementing those that led to the litigations before they joined the tribunal. Further, as per the bill, even if there is a vacancy in the position of the chairperson(or other posts), the tribunals shall continue its work, which means that a case shall be heard even in the absence of a judicial member, particularly in case of state tribunals.

To conclude, the Educational Tribunal Bill is an important one for speedy and cheaper adjudication of litigations in higher education. But given the features of the tribunals, as given in the bill, one may doubt whether the tribunals will do what the judiciary is not able to efficiently do. After all, despite clear judgments of the Supreme Court and high courts, vulgar commercialisation of higher education is already taking place at a rapid rate, in addition to the growth of different kinds of problems. It may be too tall an expectation that the educational tribunals will be able to tackle those issues that the courts cannot. Moreover, the judiciary, with its somewhat frequent conflicting judgments has created much confusion in public policymaking in higher education, if not failed in undoing the injustice done to the students and academic community.

Universities for Innovation Bill

The Universities for Innovation Bill, 2010, is yet another important bill that the Government of India has prepared. This is not completely new, as it has been promised in the Eleventh Five Year Plan that 14 innovation universities would be set up. The bill is to facilitate the setting up of such universities. While the draft bill has not defined what is meant by 'innovation university', some salient features of the universities are clear from the several provisions of the bill. Universities for innovation will be 'institutions of national importance'. They are intended to be very special universities, different from 'world class universities', 'national universities' and, of course, the existing normal central and state universities; but the several objects of the university as mentioned in the bill do not convey anything special. The Yashpal Committee has recently outlined what an ideal university should be. The draft bill does not refer to any of those aspects. The stated objective of the draft bill is

> to provide for the establishment of Universities for Innovation which would be at the fount of making India the global knowledge hub and set benchmarks for excellence for other institutions of higher learning through path-breaking research and promoting synergies between teaching and research to create institutions universally recognized for quality teaching, learning and research, and to provide for matters connected therewith or incidental thereto.

An innovation university is one which, according to the draft bill, enjoys a fair degree of, in fact full, autonomy in all respects—academic, administrative and financial. It can decide on its own curriculum, branches of learning in which instruction is to be provided and research conducted; and it can also determine the nomenclature of degrees and other academic distinctions to be awarded by it. It can institute teaching, research and other academic positions, and administrative and other posts, make appointments of persons working in any other university or organisation as adjunct, guest or visiting teachers, and determine the emoluments and perks to be paid to them; it can establish chairs of studies, set up study centres overseas, network with other organisations, etc. Such institutes can frame their own rules on academics and the qualifications needed for teaching and other positions, and rules for their appointment. Third, it can determine and receive fees and other charges that the university may deem fit; it can receive benefactions, donations and gifts, and acquire, hold, invest, manage and even dispose of any moveable property of the university. Thus, the university will enjoy full unrestricted freedom with respect to the core academic, administrative and financial aspects. The Board of Governors that govern the university may not have any member from the government or government nominees, unless it is so mentioned in the memorandum of agreement. At least half the members will be 'independent persons' and at least one-third will be teachers or officers of the concerned university. Thus, there will be no government control on the university in any respect. As the concept note drawn up by the MHRD (2009) on the innovation universities states, they will be autonomous entities, with no 'regulation from outside'. In a sense, the university will be free from any kind of government or social control. The jurisdiction of the university extends to the whole of India. It can establish campuses in foreign countries in accordance with the provisions of the laws of such a foreign country.

The university shall focus on areas of study that are not pure discipline-based, but on areas with problems of significance, and search for 'solutions that are globally valid'. Global solutions and global needs seem to outweigh the national problems and needs. The perceived need is to make India a global knowledge hub. Apart from other faculties that the university may establish, a Faculty of

Knowledge Manpower Assessment will have to be established by each innovation university. It is not clear what this faculty means in terms of its objectives and nature of functions. While the general feeling, including the recommendation of the Yashpal Committee, is to make every university, including the IITs, a multidisciplinary university, the innovation universities are conceived of as single-discipline universities, focusing on a particular area or, at best, a few select areas.

There are very few restrictions, as per the draft, on innovation universities with respect to their operations—the academic standards to be set by the innovation university will have to be equivalent to or higher than those set by the statutory bodies, and any dispute arising between the innovation university and the statutory authority in this respect will be referred, not to the National Educational Tribunal on which another bill was already introduced in Parliament, but to a special three-member committee especially constituted in each case. Second, at least half the students admitted to pursue any programme in the innovation university shall be citizens of India. The remaining half can be from overseas. Can a university of normal size attract 50 per cent of its students from abroad? The remaining half can be from overseas. Can a university of normal size attract 50 per cent of its students from abroad? After all, the number of foreign students is above 1,000 only in three universities in India, namely Pune, Manipal and Delhi, apart from Indira Gandhi National Open University.[8] There are no provisions for any kind of reservations in admissions of students, except what the university may decide on its own based upon its own criteria to account for disparities in educational attainment between the different social, economic and other classes of students. Third, the university has to be a not-for-profit legal entity, distinct from its promoter(s) for all intents and purposes. Other features of the university are: while the Chancellor of the university will be appointed by the promoter, names for the vice-chancellor's post will have to come from the Collegium of the NCHER, a bill of which has also been ready. The Board of Governors may recommend names to the Collegium in this regard.

Is an innovation university completely financed on its own? No, it can receive grants from the Central Government for supporting research, and promotion and development of higher education. It can also receive grants to meet the expenditures on scholarships or fellowships instituted by the university, including scholarships for students from socially and educationally backward classes of citizens enrolled in the university. Each university will have an endowment fund with an initial corpus and donations, and contributions from the alumni and other sources. Eighty per cent of the incomes received annually into the endowment fund may be used for the purposes of development of its research infrastructure.

An audited statement for the grants the university receives from the government has to be submitted to the government and laid before the house of Parliament; but there is no requirement for the submission of a full financial statement to the government or any public body, nor is it to be publicised. Only, such grants shall be subjected to assessment and audit by the Comptroller and Auditor General (CAG) of India, that too on such outcome-based parameters as may be prescribed with the concurrence of the CAG. Earlier, it was intended, as per the concept note, that funds spent on research or teaching will be kept 'out of the purview of audit scrutiny envisaged under the Constitution by the Comptroller' (Government of India 2009). The annual report is to be published on the website of the university, but this is also not required to be submitted to any public body.

It appears that innovation universities are conceived mainly as private universities, though in principle they can also be entirely publicly funded. It is not stated that the government will set up any innovation university.[9] Though it is not mentioned explicitly, it is clear that they will essentially be private universities, whether they are partially funded by the government or entirely funded by the Central Government, except that those which are entirely funded by the Central Government will be subject to a limited degree of government control—the President of India will be the Visitor of the university, who will appoint the Chancellor of the university. There is not much difference between universities that were entirely publicly funded and other universities with respect to most other aspects, including admission, recruitment and financial management. The promoter, that is, one who establishes such a university, can be an organisation—a company registered under Section 25 of the Companies Act, or a trust or even a foreign university—established or incorporated outside India which has been functioning for at least 50 years. So the bill allows, independent of the Foreign Educational Institutions Bill, the entry of foreign universities.[10] Such universities can also, of course, establish their own centres overseas.

The main point of the innovation universities is autonomy in general and autonomy to innovate. In fact, all universities and other institutions of higher education in India, not just innovation universities, require a fair degree of autonomy, particularly academic autonomy. Also, all institutions of higher education are expected to be innovative in their academic endeavour, that too as an everlasting process. But this bill creates a group of universities with autonomy that can innovate, meaning others—new and existing—have neither to be autonomous nor innovative.

In short, this is yet another bill that shows the government's reluctance to look at the whole of higher education as an integrated holistic system, its unwillingness to take an active role and responsibility in the development of higher education in India, and reiterates its unflinching faith in the unregulated private sector.

The Draft Bill for the NCHER

Recently, two very high-level bodies have examined the problems being faced by our higher education system and recommended, *inter alia*, the constitution of a single apex body for the development of higher education. The NKC recommended the constitution of the an Independent Regulatory Authority for Higher Education (IRAHE), and within a couple of years, the Yashpal Committee pleaded for a similar body—a central statutory body through a constitutional amendment, but under a different name, namely the National Commission for Higher Education and Research, for the rejuvenation of the higher education system. Both have criticised the opaque functioning of the exiting multiple regulatory bodies and implicitly assumed that they cannot be reformed. They felt that there were too many bodies, too much regulation and too little governance. Like many, both these committees seemed to believe that it is easy to set up a new institution rather than reform an existing one. It is important to note that though there are some similarities in their recommendations, both committees have advanced altogether different reasons. The NKC has felt that there were too many regulatory bodies in higher education, such as the UGC, AICTE, NCTE, Medical Council, Bar Council, Council of Architecture, Pharmacy Council of India, etc., creating tough entry barriers and a cumbersome system of authorising entry. Hence, it was felt that it is important to replace all the 13 regulatory bodies that have been set up by Parliament at various points in time with a single overarching regulatory authority (like the Telecom Regulatory Authority of India), as a single window that will facilitate, *inter alia*, the easy setting up of new universities or colleges by the private sector or foreign actors or, in principle, by public bodies in India. This will dissuade one from approaching several bodies for permissions, approvals, etc., to found a new institution, start a new academic programme or go abroad, or for a foreign institution to come to India. Such a move would help the rapid growth of the private sector in higher education and can facilitate the entry of foreign institutions into India. The NKC was very clear in its approach of favouring privatisation and internationalisation of higher education in India. The Yashpal Committee was not highly favourable to the idea of privatiation, as many private universities were a 'mere business entities dispensing very poor quality education', or internationalisation of higher education. But it has recommended the setting up of the NCHER, which will subsume all the existing regulatory bodies and assume all their responsibilities, so that academic synergy takes place between the different branches of study. The Yashpal Committee was worried about fragmentation of knowledge and cubicalisaiton of knowledge, and even compartmentalisation of education into undergraduate, postgraduate and research levels, and argued that a single body like the NCHER would check all these phenomena.

The Government of India seems to have accepted the recommendations of both the committees and decided to set up a single body in place of all the existing organisations as the solution to all kinds of problems in higher education in the country. It prepared a draft bill (available in April 2010)[11] for the setting up of a commission called the NCHER for placement in Parliament that was subject to somewhat extensive consultation, and a new draft was prepared (June 2010). Since the response of the government came after the recommendation of the Yashpal Committee, and since it was announced that the report of the Committee would be implemented in 100 days, and also since the proposed body is named NCHER, as suggested by the Yashpal Committee, most people might feel that the government's proposal to set up the NCHER is in line with the Yashpal Committee's recommendation. But it will be wrong to conclude so. A close examination of the proposed bill and the overall context in which it is being finalised suggests that the government is more favourable to the NKC's recommendations than to those by the Yashpal Committee, as one finds very little reference to academic aspects in the role and functions of the NCHER, except a couple of statements that the NCHER should promote joint and crossdisciplinary research, promote synergy of research, develop a national curriculum framework, etc. Rather, the government seemed to have accepted the NKC's arguments for such a body and used Yashpal Committee's recommendation for the name of the body.

Responding to the need to have the voice of state governments on the concurrent subject of higher education, as expressed by many while criticising the earlier draft, the revised draft bill provides for the constitution of a General Council that would include all members of the NCHER, representatives/nominees of Union and state governments, heads of the 14 professional bodies like the Medical Council of India, Bar Council, etc., 13 research councils like the CSIR and ICSSR, heads of central universities, IITs, IIMs, etc., on rotation, and notably representatives of 10 industry associations like the Associated Chamber of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII), Federation of Indian Export Organisations (FIEO), All-India Manufacturers' Oragnisation (AIMO), etc. As many as 10 members of the General Council will be from the corporate sector. The General Council, as an advisory body, that will make recommendations to the NCHER on a number of issues. It could, by a two-third majority, propose amendments to the recommendations of the NCHER.

The bill, meant for setting up the NCHER, not only outlines how it will be set up and how its chairperson, members, the Collegium or governing council will be appointed, but also prescribes in detail how the NCHER will work on each issue. Of the several functions, the NCHER has an important role in advising and facilitating establishment of a university, in the appointment of vice-chancellors and heads of central universities and central educational institutions, and in the commencement of academic operations by the institutions of higher education and research. According to the bill, the NCHER will lay down standards for leadership positions, and norms and regulations for a university to commence its academic operations.

The erosion of academic autonomy of the universities and politicisation of higher education institutions—the two major concerns of the NKC and Yashpal Committee—met a different kind of treatment in the bill. Many of the problems of the universities, including autonomy and politicisation probably lie with the leadership. The process of appointment of vice-chancellors has become, of late, a serious issue of suspicion all over, with manipulation and corruption being predominant. So far, the vice-chancellors of state universities have been appointed by the state governments, the governor normally being the Chancellor or Visitor of the university. Both the NKC and Yashpal Committee have noted all this. The bill proposes the preparation of a directory of academics for appointment as vice-chancellors in central universities, and only lays down the eligibility conditions for their appointment in state universities. State governments will have an option to approach the NCHER for nominations. Besides the Collegium of the NCHER, central and state governments, universities and other higher education institutions may propose names for consideration by the NCHER for inclusion in the directory.

Promotion of autonomy is an important objective of setting up the NCHER. The main aim is 'to promote autonomy of higher educational institutions for the free pursuit of knowledge and innovation ... to facilitate access, inclusion and opportunities to all and to provide for comprehensive and integrated growth of higher education and research keeping in view the global paradigms of education and research practices and achievements ...' (Government of India 2010d, 2011). Though the NCHER is meant, thus, to promote the autonomy of higher educational institutions, the bill does not care much for university autonomy—academic or administrative. The powers and functions of the NCHER are so vast and so over-riding that little is left to the universities. Besides preparing a statement on the state of higher education every five years, the NCHER may specify norms and make regulations relating to minimum conditions, norms and standards on almost every aspect of the university. In short, the Commission will have the powers to make regulations on every aspect of higher education. They include not only issues relating to the establishing and winding up of universities and their funding, but also issues relating to all academic operations, such as awarding of degrees and diplomas, development of the national curriculum framework, workload of the universities, quality, measures for accreditation, processes of interaction between students and teachers, and so on. Thus, it takes away all the autonomy of the universities, while at the same time it proclaims that it will promote autonomy of higher education institutions. The bill recognises that autonomy is important 'for free pursuit of knowledge and innovation', but does not give any scope for innovation to the universities themselves. Perhaps the NCHER will itself develop and provide to the universities the norms, terms and conditions for innovation. The Yashpal Committee felt that there was no need for regulation of the universities, as universities in an ideal, if not a utopian, world, will be self-regulating and self-governing. But with an overarching regulatory body of this kind, with an enormous range of powers, it is difficult to imagine that any scope exists for self-governance exists. The powers and functions of the Commission cover not only issues relating to establishing and winding up of universities, and their funding, but they also include issues relating to all academic operations, such as award of degrees and diplomas, development of national curriculum framework, workload of the universities, quality, measures for accreditation, processes of interaction between students and teachers, and so on.

After listing more than 29 powers and functions of the NCHER, to cover the omissions and commissions, there is another clause in the bill in defining the power and functions of the NCHER. It says: 'it will discharge such other functions in relation to the promotion, coordination and maintenance of standards in higher education and research...' (Government of India 2012).

Since the NCHER will assume the powers of all other bodies in higher education, it is also expected to perform all their functions relating to technical education, teacher education, medical education, agricultural education, legal education and so on. The NCHER was first conceived as a body that would replace all the existing regulatory professional bodies in higher education, but the revised draft provides for the repealing of the UGC, AICTE and NCTE, and with respect to others, the provisions of this bill shall supersede the provisions of other Acts such as the Indian Medical Council Act, the Indian Nursing Council Act, Architects Act, Advocates Act and the Pharmacy Act. Originally, only the UGC was responsible for higher education as a whole. Partly overburdened by the number and partly constrained by the exploding knowledge in various branches of higher education such as technical, medical, engineering, legal, teacher education, etc., the role of the UGC was confined largely to higher general education, and other bodies like the AICTE and NCTE were set up. They were expected to take care of the special needs of the specialised areas of higher education and research. Many of the bodies that the NCHER is expected to subsume were also set up through Acts of Parliament; they were also set up as autonomous statutory bodies with lofty goals and objectives. But except for a short time, during the past several decades, they have not been allowed to function autonomously. Some of them have practically been treated as subordinate departments of the government; they have not been provided sufficient funds or professional staff. As a result, they have become almost defunct. The bill does not recognise all this. It certainly does not recognise the size factor of the higher education system and the need for specialised bodies. It wishes to turn the wheel back and have only one body for higher education. While we need holistic development of higher education, it may be necessary to have specialised organisations for the development of specialised branches of study. But the draft bill proposes NCHER as a single body, replacing some and/or serving as an overall arch for the other existing bodies in higher education. The advantages of having a single body are not clear, while the possible losses are clearer. It is interesting to note that the ministries of law and health have also proposed similar bills to set up commissions or authorities in their respective areas of higher education.

While the existing bodies will be either wound up or superseded by the NCHER, the NCHER will itself set up a few bodies. According to the bill, it set up a Board of Research Promotion and Facilitation, which will recommend measures to the NCHER to promote and facilitate research in fields of knowledge in higher educational institutions. The NCHER will also establish the Qualifications Advisory Councils in Vocational Education for each specific skill, which will advise and make recommendations to the NCHER on qualifications frameworks. Perhaps a more important stipulation refers to the setting up of a Higher Education Financial Services Corporation. According to the draft bill, the NCHER will establish a Higher Education Financial Services Corporation under Section 25 of the Companies Act, 1956. The sole function of the Corporation, to be managed by a Board of Directors will be the disbursal of grants to higher educational institutions. The rationale for the Corporation to be set up under the Companies Act that will receive funds from the Central Government and disburse them to universities—public and private—following the instructions of the NCHER is not clear.

The proposed bill is also to have an 'overriding effect' on all the existing laws that essentially relate to public bodies, but surprisingly, it will not have such an effect on the Companies Act, 1956 (Clause 56). All the powers and functions are centralised and vested in the NCHER. With such a high degree of concentration of powers, there is a danger that the new body can become a powerful controlling body in higher education. While the UGC has been accountable to Parliament, the NCHER will not be. Such a high degree of concentration of powers itself is not desirable. Further, it might also get so overburdened with responsibilities that it may not perform any function efficiently. After all, overburdened by responsibilities, the UGC ended being primarily a fund-allocating agency, though it was also expected to provide academic leadership and directions for development to the higher education institutions in the country. There is a danger that the NCHER might end up in a similar state as the UGC in a few years. The only provision that is made in the bill is for the review of the performance of the NCHER. The review is to be conducted every five years by a committee to be appointed by the President. The Collegium of the NCHER will recommend names to the President for such a review committee.

Many scholars have argued in the recent past for a revamping of the UGC and the UGC Act. But it is doubtful whether those scholars will be pleased with the new body as proposed in this bill. As some have recently observed, the solution seems to be worse than the disease.

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The higher education system in India has been characterised with a big policy vacuum for a long period. Now it is a period of reforms on fast-track mode. Reforms are intended to be brought through legislative action. The rush for the bills marks a period of speedy and hasty reform. The bills are also formulated as independent pieces of reform, without a comprehensive policy framework on higher education. Broadly, they lack an overall long-term holistic vision for the development of higher education. The flurry of bills would drastically alter the nature, structure and academic focus of the higher education system in India and mark a significant shift in the development paradigm in higher education. It is doubtful whether these bills will help reform or deform higher education in India.

Endnotes

This is an expanded version of the address given at the Convention on Neo-liberal Assault on Higher Education, held in New Delhi on 22 August 2010. Grateful acknowledgements are due to Prabhat Patnaik and Krishna Kumar for their observations.

[1] In fact, according to the website of the PRS Research group, there is a large number of bills introduced by the MHRD which are pending in

Parliament. See http://prsindia.org/index.php?name=Sections&id=6&category=43.

[2] Among others, the following bills are available on the website of the Parliament: (a) The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010, (b) The Prohibition of Unfair Practices in Technical Educational Institutions, Medical Educational Institutions and University Bill, (c) The Educational Tribunals Bill, 2010, (d) The National Accreditation Regulatory Authority for Higher Educational Institutions Bill, 2010 and (e) The National Commission for Higher Education and Research Bill, 2010.

[3] The Private Universities (Establishment and Regulation) Bill, 1995, introduced in the Rajya Sabha on 25 August 1995, was withdrawn in August 2007. It was never introduced in the Lok Sabha. During this period, using the concurrency clause, most states have made their own laws to set up private universities.

[4] See, for a critique of the report, Tilak (2007).

[5] The discussion on the bill in this section draws from Tilak 2010.

[6] They are: 'The Private Professional Educational Institutions (Regulation of Admission and Fixation of Fee) Bill, 2005' by the MHRD (Government of India 2005), and 'Admission and Fee Structure in Private Aided and Unaided Professional Educational Institutions, 2007' by the UGC.

[7] The draft bill, prepared in 2009, provides for a three-tier structure that includes District Educational Tribunals (*The Times of India* 2009). The third layer does not figure in the 2010 draft bill.

[8] The enrolments of foreign students in these universities, respectively, are 2,500, 1,500, 1000 and 3,000.

[9] According to a news report, the government was to set up 14 fully funded innovation universities in Greater Noida, Amritsar, Visakhapatnam, Bhubaneswar, Coimbatore, Mysore, Gandhinagar, Jaipur, Kolkata, Bhopal and Kochi; and the number of universities to be set up by the private sector has not yet been decided (*The Times of India*, 29 August 2010).

[10] For example, it is stated that Singapore and India together will set up 14 innovation universities (*Silicon India News*). Also, some US institutes have been ready to collaborate with India for the same (*Zee News* 2009).

[11] See Tilak (2010b) for a comment on this draft of the bill.

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GLOBAL RANKINGS, WORLD-CLASS UNIVERSITIES AND DILEMMA IN HIGHER EDUCATION POLICY IN INDIA*

The Context

Globalisation has had a tremendous effect on higher education everywhere; as a result, higher education institutions in most parts of the world are undergoing great transformation. One of the important aspects on how globalisation transforms higher education can be seen by looking at the increasing concern for setting up world-class universities and to figure among the top in global university rankings. Global university rankings or international university rankings, though originated nearly a 100 years ago, have become popular only in recent years, and galvanised the whole world of higher education. In fact, ranking of universities is becoming a global phenomenon, gaining amazing popularity in a short time. It has become 'a ubiquitous, even explosive, phenomenon ... [and] also a perverse one' (Scott 2013: 114).

The world university rankings are often quoted and used in academic and public policy discourses in various national and global fora. Obviously, India is also influenced by these discourses and

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debates. To start with, it is noted that no Indian university or institution of higher education has been found to be figuring among top 100 or 200 institutions in the world, according to the global rankings. This has become a serious concern of the Indian policymakers. The President, Prime Minister, Minister for Human Resource Development and many others have expressed distress at not having a single Indian institution among the top 100 according to any of the global rankings. Some of the institutions, particularly the IITs, figure among the top 400, not among top 100.

In the Quacquarelli Symonds (QS) World University Rankings, 2013, University of Delhi, University of Mumbai, Calcutta University, University of Pune and the IITs at Roorkee and Guwahati figured at the bottom levels, in the group of the above-400 rank. In the Asian regional rankings of the *Times Higher Education* (THE) World University Rankings or the QS, nearly 10 Indian universities figure among the top 100, as shown in Tables 14.1 and 14.2, and in the Webometrics Asia Rankings, 2014, only IIT Bombay figured at 91. Three institutions from India appeared in the 2003 Academic Ranking of World Universities (AWRU) of the Shanghai Jiao Tong University rankings in the rank group of 251–300, and the number of institutions came down to one in 2012, that too among the 300–400 rank. India's country rank, based on the same AWRU rankings, also fell steeply from 26 (out of 35 countries) in 2003 to 35 (out of 46) in 2012 (Salmi and Froumin 2013). Only 16 Indian institutes were in the top 200 in the 2015 *THE* BRICS and Emerging Economies Rankings. A small country like Taiwan had as many as 24 institutions in the same group of 200, and China 39 (*Times Higher Education* 2016). Obviously, all this cannot please the educational planners and policymakers in India, who boast of a great intellectual tradition of having some of the first and 'first-generation' (Tilak 2010a) best universities such as Nalanda, Takshashila and Vikramaditya, Takshashila dating back as far as the early seventh century BC. Presently, there is not a single world-class university in India. India's response to the two related issues, namely rankings and world-class university, is a bit obscure and confusing, and full of ambiguities that have crept in not perhaps totally inadvertently.

TABLE 14.1: Indian Universities in Asia University Rankings, 2014—Top 100

Rank	*World ranking*	*University*	*Country*	*Overall score*
Top 10 universities in Asia				
1	23	The University of Tokyo Japan	Japan	76.4
2	26	National University of Singapore	Singapore	72.4
3	43	The University of Hong Kong	Hong Kong	65.3
4	44	Seoul National University	Republic of Korea	65.3
5	45	Peking University	China	65.0
6	50	Tsinghua University	China	63.5
7	52	Kyoto University	Japan	63.2
8	56	Korea Advanced Institute of Science and Technology	Republic of Korea	62.9
9	57	Hong Kong University of Science and Technology	Hong Kong	62.5
10	60	Pohang University of Science and Technology (POSTECH)	Republic of Korea	61.7
Indian universities/institutes in top 100				
32	226–250	Punjab University	India	40.2
45	351–400	IIT Kharagpur	India	33.9
55	351–400	IIT Kanpur	India	31.9
59	351–400	IIT Delhi	India	30.1
59	351–400	IIT Roorkee	India	30.1
74	—	IIT Guwahati	India	27.9
76	—	Jadavpur University	India	27.6
76	—	IIT Madras	India	27.6
80	—	Aligarh Muslim University	India	27.2
90	—	Jawaharlal Nehru University	India	25.3

Note: — Not ranked (among the top 400).

Source: *Times Higher Education* 2014a.

TABLE 14.2: QS University Rankings: Asia 2014

Rank	*Institution*	*Country*	*Score*
Top 10 in Asia			
1	National University of Singapore (NUS)	Singapore	100
2	Korea Advanced Institute of Science and Technology (KAIST)	South Korea	99.5
3	University of Hong Kong University of Hong Kong	Hong Kong	
4	Seoul National University	South Korea	99.3
5	The Hong Kong University of Science and Technology	Hong Kong	98.7
6	The Chinese University of Hong Kong	Hong Kong	98.4
7	Nanyang Technological University (NTU)	Singapore	97.4
8	Peking University	China	97.3
9	Pohang University of Science And Technology (POSTECH)	South Korea	96.3
10	The University of Tokyo	Japan	96.1
Indian universities/institutes in top 100			95.9
38	IIT Delhi	India	74.5
41	IIT Bombay	India	71.8
52	IIT Kanpur	India	66.1
53	IIT Madras	India	66.0
60	IIT Kharagpur	India	63.6
70	IIT Roorkee	India	58.8
81	University of Delhi	India	54.7
95	IIT Guwahati	India	51.4

Source: QS Top Universities 2014.

Before I come to India's initiatives and policy dilemma, which are a part of the overall policy crisis in education (Tilak 2010b), it may be in order to look at the concept, rationale and other aspects of rankings and world-class universities a little further.

Global University Rankings

At the global level, though, there are not many ranking systems. Of the handful (about 27 in 2007), the *Times Higher Education* World University Rankings, started in 2004, and the QS World University Rankings, and AWRU, of the Shanghai Jiao Tong University, started in 2003, are the most popular ones. Ranking Web or Webometrics Ranking of World Universities, developed since 2004 by the Cybermetrics Lab (Spanish National Research Council), and the *US News and World Report* (USNWR), started in 1983, are also popular in this regard. European Union's U-Multirank is yet another system. Apart from global rankings, more than 40 countries have ranking systems of their own universities. Ranking is also being attempted at regional levels, like the Asian rankings of universities. The ranking industry is fast growing due to the emergence of commercial universities, erosion in quality and growth of markets in higher education. With increasing emphasis on the audit culture, international rankings have become very popular and, at the same time, very controversial. There are several positive aspects of rankings, but there are also several problems.

First, some of the flaws. There has been considerable criticism of the methodology, choice of indicators and weights assigned to each of them, quality and reliability of the data, whether it is possible to measure the productivity of faculty, performance of universities, and finally, whether it is right to compare complex and diverse institutions.

Using a range of indicators to measure the different aspects of higher education, global rankings compare different higher education institutions. Different ranking organisations consider different indicators. The choice of indicators is decided by the promoters of each system. Each indicator is considered as a proxy for some specific aspect of higher education. The AWRU focuses merely on research institutions; *Ranking Web* or *Webometrics* focuses on presence on the web and measures the quality of the university's activities on the web; *THE*–QS focuses on 60 per cent on scientific research from British sources; and the *US News and World*

Report concentrates on the programmes adopted in US colleges. Webometrics and Shanghai ARWU neglect mission, objectives and purposes of various universities, and equate research universities with other universities. They also ignore financial, material and human resources, and physical and other infrastructure, available in the institutions. Though the university rankings are claimed to be objective, they may not necessarily be objective, as the indicators and methodologies, including the weighting of the indicators, are based on subjective judgments of the people involved in making the rankings. The QS and the *THE* systems are considered to be weak in objectivity, as they rely considerably on opinion surveys. Table 14.3 shows the diversity among the three most popular university ranking systems in terms of indicators and relative weights assigned to them. Nevertheless, the results of major global rankings are often similar, particularly at the top. But the ranks of other universities in the middle vary widely between the various ranking systems.

Each of the ranking organisations also changes, though not very frequently, the indicators considered for ranking. If the indicators are changed, the rankings change. Rankings of the universities change often due to change in weights or by inclusion or exclusion of indicators. As a result, in an international ranking, a university ranked 100th in a year might rank much above or much below 100 in the following year, though the university's performance in absolute terms remains unchanged. The rank of a specific university also changes as other universities may be doing better or worse. For example, the rank of IIT Kharagpur fell from 30 in 2012–13 to 45 in 2013–14 in the Asia rankings of *THE*. Many institutions such as Punjab University, IIT Kanpur, IIT Delhi, IIT Guwahati, Jadavpur University, etc., which did not figure among the top 100 in the Asia rankings in 2013 appeared in the 2013–14 rankings. Hence, it is difficult to define precisely what the 'best' university is. The frequent change in the rank of universities from year to year in a given ranking system, and the variations in the ranks of selected universities between the several ranking systems, raise several questions.

TABLE 14.3: Indicators and Weights Used in the Three International University Ranking Systems

Ranking system	*Criteria*	*Indicator*	*Weight*
ARWU	Quality of faculty	Staff of an institution winning Nobel Prizes and field medals	20%
		Highly cited researches in 21 broad subject categories	20%
	Research output	Papers published in *Nature and Science*	20%
		Papers indexed in Science Citation Index, expanded, and Social Science Citation Index	20%
	Per capita performance	Per capita academic performance of an institution	10%
	Quality of education	Alumni of an institution winning Nobel Prizes and Fields Medals	10%
QS World University Rankings	Academic reputation	QS Global Academic Survey	40%
	Employer reputation	QS Global Employer Survey	20%
	Citations	Citations per faculty	20%
	Teaching quality	Faculty-student ratio	10%
	Inter-nationalisation	Proportion of faculty members that are international	5%
		Proportion of students that are international	5%

(contd)

Table 14.3 (contd)

Ranking system	*Criteria*	*Indicator*	*Weight*
THE World University Rankings	Teaching	Academic reputation survey (teaching)	15%
		Staff-to-student ratio	4.50%
		Doctoral to bachelor's degrees awarded	6%
		Number of doctorates awarded	2.25%
		Institutional income scaled per academic	2.25%
	Research	Academic reputation survey (research)	18%
		University research income	6%
		Number of papers published in the academic journals indexed by Thomson Reuters, per academic	6%
	Citations	Citations (5 years)	30%
	Industry income	Income from industry	2.50%
	International outlook	Ratio of international to domestic students	2.50%
		Ratio of international to domestic staff	2.50%
		Proportion of a university's total research journal publications that have at least one international co-author and reward higher volumes	2.50%

Source: *Higher Education in Asia*, UNESCO Institute of Statistics, Montreal, 2014.

University rankings are controversial and one can state that there is no ranking that is welcomed by all. Reacting to some of the criticism, the ranking systems seem to be modifying their methods. The Berlin Guidelines, formulated in 2006, proposed a new method of rankings. The International Ranking Expert Group (IREG) Observatory on Academic Ranking and Excellence outlined the Berlin principles that covered areas such as procedures on data collection and its verification, criteria, basic approach, methodology and presentation and publication. The principles aim at ensuring transparency and responsiveness. Some ranking systems seem to be responding to these guidelines and to general criticism. One can note that there is an attempt to continuously refine the methodology, selection of indicators and criteria for the selection of universities. For example, the *THE*–QS that started the rankings in 2004 developed a new way of benchmarking universities in 2009. *THE*–QS in 2010 used 13 indicators, covering research, knowledge transfer and teaching.

Focusing on uniformity, the global rankings may actually narrow the diversity that universities are normally associated with, and reduce the scope for innovations in strategy, curricula, pedagogy and research in the university systems. As the rankings ignore the universities' specific missions and visions, and impose uniformity on all, they can even pervert university missions and distract the attention of the university administrators. This is the most important weakness of the global ranking systems.

While most countries recognise the need to have top-ranking world-class universities, essentially to improve their global standing in the rankings, few in the era of globalisation seem to acknowledge the need for the same for their own national development, though it can be argued that in many cases such universities might serve both purposes at the same time. Anyhow, a subtle shift is taking place in public policies, from focusing on national development goals to global standings.

The rankings of universities have different kinds of impact on public policy and practice. Globalisation and marketisation have their own effects on rankings and the rankings, in turn, influence marketisation and globalisation. Universities try to modify their missions and tend to focus or adopt market approaches to maximise ranking performance. Globalisation, marketisation and rankings, all emphasise and exacerbate competition. 'Gaming' has also been a practice, and universities try to manipulate ranking by focusing on short-term improvements to attain higher ranks. Münch and Schäfer (2014) have observed that rankings can distort and even corrupt social processes.

In short, global ranking systems are criticised for favouring certain types of universities and certain aspects of higher education, and ignoring the context in which the system operates and the unique missions and goals of universities. The universities may have social, economic and political priorities of their respective nations and regions. The functions and roles of each university are different. But global rankings do not consider them. The most important criticism levelled against rankings refers to the adequacy and relevance of indicators; the indicators chosen may not capture many important dimensions of the universities; and the ranking systems compare incomparable ones. In fact, no global ranking system can capture the whole performance of the institutions, covering all aspects. The indicators considered are limited in number in all rankings; they focus on some and ignore other indicators. Finally, everything is converted into numerical indicators. Yet, ranking cannot be definitive. In this sense, global university rankings can be regarded as really crude. Such a reductionist approach is widely resented. But the ranking systems seem to be focusing on an overly narrow purpose of the universities. It is necessary that ranking systems comprehensively consider research, teaching and service (extension) activities, along with the missions and goals of the universities in measuring productivity of the faculty and of the universities, rather than narrowly focusing on one aspect or the other.

There are, however, specific advantages of rankings. The generally claimed advantages of these global performance tables rankings include: (a) They help in determining the level of performance of the university. (b)They stimulate competition—healthy and unhealthy. (c) They provide valuable information to all about the universities, as they collect and provide a vast amount of information, useful to students, teachers, policymakers and other 'stakeholders'. (d) They help in attracting (if the ranks are high) the best students and faculty—national and foreign. (e) They help in building professional reputation and brand. (f) They help in securing additional public and private funds. (g) Finally, they make governments redirect their attention on quality and global standards and set up quality-assurance mechanisms, and even think of setting up or developing world-class universities, so that at least a few of these universities figure in the top 100 or 200 universities in the global rankings. Some argue that ranking can serve as an instrument to ensure transparency. However, it may have to be noted that rankings may help, to some extent, to inform institutional performance, but it is not certain that they help adequately in benchmarking performance.

Despite methodological weaknesses, limited utility and not-so-desirable sociological impact, university rankings are becoming increasingly popular and they are here to stay with their unusual 'hypnotic power' (Marginson 2014).They tend to become the single most important performance indicator, rather a universal performance indicator. But given that these rankings are crude, universities and governments have to treat them with caution. Discussing the efficacy of rankings, Morphew and Swanson (2011) offered four suggestions: (a) recognise the inevitability of rankings but (b) avoid the allure of rankings—don't get too fascinated by them, (c) recognise the importance of and buttress the university's reputation, and finally, (d) beware of the isomorphic grip of globalisation.

Whether a country aims at building a world-class university or not, most universities would like to improve their standards substantially. This is one positive contribution of rankings. The rankings have made many countries recognise the need to enhance the quality and standards of their universities. It is a welcome change that quality consciousness has increased among national educational policymakers and planners, and university administrators as well. The elaborate information provided by the ranking systems compels universities to improve the quality of their teaching and research programmes, and identify areas where improvement is needed and work accordingly. The rankings are used to set benchmarks and improve the respective university rankings. Universities which are already on the top in the world rankings want to preserve and/or improve their positions, and even to remain at the top they need to make concerted efforts, particularly because other universities are taking newer initiatives. So, there is competition among the so-called 'first-tier' institutions themselves. Countries which have no or a negligible number of universities figuring in the global rankings have also initiated several measures to set up world-class or global universities and/or nurture some of their high quality institutions to reach world-class levels. As many as 22 advanced and developing countries have launched, in all, 38 major 'excellence initiatives' in higher education, a majority (28) of the initiatives having been made during the most recent period, 2005–12 (Salmi and Froumin 2013). Countries like China, Korea, Malaysia, Singapore and, to a much lesser extent, India pose formidable challenges to the advanced countries in this race. In addition, some countries have also initiated measures to set up world-class universities, adopting either or all of the three kinds of approaches that Jamil Salmi (2009) advocated in his famous book *The Challenge of Establishing World-class Universities*—'picking winners', 'hybrid' formula and 'clean-slate' approach.

World-class Universities

As only world-class universities can figure in such global/regional rankings, world-class universities have become a catch phrase and started figuring in the higher education agenda of many countries. Whether a country is interested in rankings *per se* or not, it may still be interested in having world-class universities, as such universities will be able to attract and retain high-quality faculty, attract talented students from within and outside national borders, attract public and private investments, and secure a label, which in itself is a matter of prestige. However, many world-class universities also strive for high global rankings. As a world-class university is considered a panacea for ensuring success in the global economy, almost every country, however rich or poor, illiterate or most educated, is obsessed with the concept of the world-class university. As Altbach (2004) described, 'Everyone wants a world-class university. No country feels it can do without one. The problem is that no one knows what a world-class university is, and no one has figured out how to get one. Everyone, however, refers to the concept.'

What is a world-class university and what are its characteristics? Alden and Lin (2004) identified a set of characteristics of a world-class university. According to them, a world-class university is defined as one which has an international reputation for its research and teaching, has a number of research stars and world leaders, and visitors of international standards. This is a university that identifies and builds upon its research strengths and has a distinctive reputation and focus, generates innovative ideas and produces basic and applied research in abundance, produces rather ground-breaking research output recognised by peers, and is rewarded with awards and prizes like the Nobel Prize. It attracts the most able students and attracts and retains the best talented staff from international markets based on merit, and produces the best graduates. Such a university necessarily has a high proportion of postgraduate students and operates in a global market. It is international in its activities with research links and student and staff exchange programmes. It should have a very sound financial base with diversified sources of funds along with large endowment and capital funds, which enable the university to provide a high quality research and educational environment. It has a first-class management team with strategic vision and plans for implementation. Its graduates occupy high places in power and influence in the society. It has a long history of superior performance in making a big contribution to society. As a result, it is recognised by other world-class universities and also by the global society at large as a truly world-class university. The world-class university continually benchmarks with top universities worldwide and has the confidence and ability to set its own agenda.

Besides describing what it means to be a world-class university and how to establish one, Salmi (2009) also sums up the several necessary characteristic features into three major facets that define a world-class university. They are: (a) concentration of talent in terms of outstanding faculty and students, (b) abundance of resources with diversified sources of funds including endowment funds that allow payment of the best salaries to its staff and (c) an appropriate system of governance that includes overall regulatory framework, competitive environment and a high degree of academic and managerial autonomy. As Salmi further reminds us, it is not enough if a university has all these three in abundance; it is important to ensure the best combination of these three features. Only those universities that ensure the best amalgamation of these three features can truly become world-class universities.

Such a world-class university will obviously be a top-ranked university in global rankings. But there is an inherent flaw in such an approach. As Shin and Kehm (2012: 17) have questioned, 'Does world-class university mean top-ranked university or does it mean the university that contributes to humankind globally?'. The answer is obvious: it seems to mean a world-class university only that performs well with respect to ranking criteria. Some also sense that the very term 'world-class university' is an elite concept and not consistent with the goals of massification of higher education. It might conflict with the strategy of equitable expansion of higher education in developing countries, a challenge many developing countries are faced with. After all, one world-class university will take away a large chunk of resources at the cost of several other universities and institutions of higher education. This is indeed a serious policy dilemma that developing countries, which are severely short of resources, are confronted with. After all, creation of world-class universities is regarded as legitimising greater vertical and hierarchical differentiation between universities. In the context of such a criticism, some, in fact, suggest that each country should aim at developing a world-class system of higher education, rather than a few world-class universities. A social-democratic model that seeks to balance excellence and equity by supporting the development of a world-class system of higher education across a country can be a right choice. Such a model strengthens horizontal (mission or functional) differentiation across a diverse portfolio of high-performing universities, some of which may be globally or regionally focused (Hazelkorn 2013). The emphasis of such a model is on supporting excellence, wherever it may occur, by encouraging each university to specialise in specific disciplines or a knowledge domain according to its expertise, competence and mission.

The idea of developing a world-class higher education system has not attracted many; some seem to regard it utopian. Instead, many are fascinated by the idea of world-class universities—the symbolic value, status and reputation such a label accords—though it is presumed, at the same time, that such universities cannot but be only a few pockets of excellence in a country.

World-class universities can be either developed by nurturing existing universities or, as some believe, be newly established. It may seem easy to nurture existing universities to the level of world-class universities, but in many cases, institutional habits, cumbersome governance structures and bureaucratic management practices stand as big stumbling blocks. While the second option, that is, the setting up of a world-class university from scratch, may be difficult, given that it takes several years, may be decades if not centuries, to develop a world-class university, Salmi proposes a third strategy—by merging some of the best existing institutions, a world-class university can be evolved. Mergers as a strategy not only ensure economies of scale, but also enrich the academic environment. This may be one of the best options developing countries can think of. None of the options of setting up or developing a world-class university is an easy one, though Salmi seems to suggest that it is not a 'big' challenge and certainly not an insurmountable one; anyone can think of developing a world-class university.

Contrary to the general understanding that it is only very old universities that can aim at becoming world-class universities, it has been shown that even relatively young universities can become world-class in a short time and receive high ranks if they stress a few important aspects in university development, such as the cultivation of 'creative, free environment' with proper academic management (for example, Koç University, Turkey), insistence on publications by Ph.D. candidates in high-quality international journals along with inculcation of keenness to cultivate entrepreneurial talents (for example, Korea Advanced Institute of Science and Technology, South Korea), attracting a good number of international students along with an effective tutorial system (for example, Maastricht University, the Netherlands), recruitment of international star faculty (for example, Nanyang Technological University, Singapore), and strong university-industry collaboration (for example, Hong Kong Polytechnic University) (*Times Higher Education* 2014b).

One should note at least a few important aspects while pondering over the idea of developing a world-class university:

- World-class universities cannot be built overnight. They cannot be built from scratch. A well-established university, or a few of them, by merging can be nurtured to become a world-class university over a reasonably long period. The exceptions are very few.
- The concept of the world-class university cannot be unique; each country has to define the nature and scope of the world-class university that it wants to develop that helps national development and simultaneously addresses global issues, and at the same time, it may have to be comparable with others. As Salmi (2011) and Marginson (2012) noted, there are different 'pathways' of developing world-class universities and every country, rather every university, has to choose its own path.
- It is not an easy task; it is to be taken as a big challenge. It requires a long-term vision, a consistent plan with sustained funding and commitment.
- Countries, while planning for the development of world-class universities, should at the same time plan for the expansion of tertiary education to larger sections of the society.

India's Approach to 'World-class Universities'

The response of the Government of India to the idea of world-class universities and to the international rankings has not been very clear. There was confusion about the concept, rationale and feasibility of the idea of a world-class university and the rationale of striving for global rankings and associated international comparisons. Academia is divided and policymakers are confused.

The NKC, among others, has championed the cause of establishing world-class universities and even described several aspects relating to the world-class universities.[1] The academia, particularly belonging to the public sector universities, expressed disdain for the world-class university as an irrelevant concept, and global rankings as an improper method of measuring performance of universities. Many in the government and outside are also skeptical. They also resent the obsession with world-class universities and global rankings. Some consider the world-class university as a neo-colonial concept, being intentionally popularised in the neo-liberal era, that needs to be contested; the concern for global rankings is regarded as implying self-denigration; the craze to ape the Western model means ignoring the national values and concerns; and the several indicators used in international rankings are criticised as irrelevant for a country like India. For the same reason, India has developed its own system of ranking universities (Government of India 2016). Since the indicators chosen in the international ranking systems are most suitable to the Western universities, particularly the US universities, after all, a large number of US universities—State and private—figure in the top in these rankings, eight of them being labeled as Ivy League universities, 'global' in *global rankings* is equated to Western or American; and, accordingly, many argue that the global rankings, as an idea itself, has to be rejected and the celebrity culture in general has to be decried.

In contrast, private universities and the private sector in general welcomed both the labels—world-class university and global ranks. Private universities perhaps found either that the performance in the narrowly defined indicators can be easily focused upon and improved therein, or that there is sufficient scope to manipulate scores on each indicator, and in either case, manage to get high ranks, which can be used in their marketisation processes. Private universities that are actually working as commercial enterprises find the ranks and the world-class label as effective means of attracting high fee-paying students, and sell their programmes.

Actually, the NKC (2009) had originally suggested the establishment of 'National' universities that can provide education of the highest standards. It is only in subsequent discussions and communications that the concept of 'national' was replaced by 'world-class'. Following the recommendation of the NKC, the government expressed the desire to set up 14 world-class universities in the country. But few were clear on what was meant by a world-class university or why and how such a university could be set up from scratch. Puzzled with diametrically opposite views on world-class universities within and outside the government, and being not clear with the concept of world-class or national universities, the government, instead, decided to establish 30 'central' universities, 17 of which were already established during the Eleventh Five-Year Plan period. However, the interest in setting up world-class universities *per se* did not subside, though confusion or lack of clarity continued.

The Narayana Murthy Committee (Government of India 2012) recommended, in addition to the upgradation of 75 'top-of-the-class' universities and higher education institutions at a typical investment of Rs 1,750–2,000 million per institution, the creation of 20 new world-class universities and higher education institutions by the private sector or through new methods of public–private partnership, at a typical investment of Rs 5,000 million per institution. After prolonged discussions, the government's approach finally took the form of a bill to create universities for research and innovation, which was introduced in the Indian national Parliament in May 2012, with an aim to create high-quality research and innovation universities. While the bill is pending in Parliament, the government proposes, according to the recently launched *Rashtriya Uchchatar Shiksha Abhiyan* (RUSA) or the National Higher Education Mission of the Government of India (2013), to set up research universities, and also endeavors to transform a select group of Indian higher education institutions into world-class institutions, as well as establish new world-class universities. Quite few elements of the proposal to set up research universities, which are to become world-class universities, are drawn from the Universities for Research and Innovation Bill. That no distinction is being made between a 'world-class university', 'research university', 'research and innovation university', and 'flagship university' or 'top-of-the-class university' (Indiresan 2007) in these several documents shows the somewhat confounded approach of the government.

The concept of a research university or research and innovation university is considered as a close proxy for the concept of world-class universities. Since the bill on the research and innovation universities is a major initiative that government took in this context, it is important that this bill is critically discussed. This is also the only

Indian initiative that Salmi and Froumin (2013) described among the 38 major initiatives taken by various countries.

The research and innovation universities are to focus, according to the bill, on research and development and aspire for attaining the pinnacle of knowledge in a particular area by innovation in design, and produce research that will eliminate deprivation by forging linkages between research institutions and industry. The bill provides for the setting up of new universities of this category by the Union Government, or by private bodies, domestic or foreign, or to classify some of the existing public or private universities as research and innovation universities. Viewed as a major component of the India Excellence Initiative, these universities are expected to boost the quality and standards of higher education in the country. More importantly, it is also hoped that at least some of these universities will figure in the top 100 or 200 universities in the global rankings of universities. With a high degree of autonomy guaranteed, it is hoped that many private and foreign 'promoters' will make huge investments and set up such universities and, thereby, contribute to the meagre base of the R&D investments and help build a knowledge society.

With the new nomenclature, ideological and other opposition to the concept of the world-class university was quashed to some extent. Besides, one would feel encouraged at the outset to note that at last some kind of high priority is being given to research and innovation in universities, though all higher education and research institutions are expected to be focusing on research and innovation, rather than expecting a few selected 'elite' institutions to do this. Actually, constrained by several factors, a majority of the existing institutions pay lip-service to research and innovation.

But the bill in its present form has several loopholes. It does not refer to the existing institutions, while there is much need and scope to strengthen existing central and state universities in such a way that they become universities of high standard. If not all, a good number of universities have the potential. They need (a) to be assured strong public funding, (b) a high degree of academic autonomy, including freedom to hire high-quality faculty from within and outside the country and (c) depoliticisation. Unfortunately, we are not thinking of the nearly 600 existing universities. A large number of universities, including many central universities, particularly the new ones, are severely starved of qualified faculty and other critical inputs, including infrastructure and funds. Universities, not only the research and innovation universities, but also the existing universities, do require autonomy, but autonomy with accountability. Academic institutions require a high degree of academic autonomy, a fair amount of administrative autonomy and much less financial autonomy.

The government expects a huge involvement of the private sector in setting up research and innovation universities, either in terms of setting up private universities on their own or through various modes of public-private partnership. But going by the past experience, one cannot expect our private sector to be interested in setting up highly expensive research and innovation universities. Hundreds of engineering colleges and some universities were set up by the private sector, as they yield quick profits. Research and innovation universities may not yield such profits. Of course, the Universities for Research and Innovation Bill provides for a very high degree of autonomy to the universities in all aspects including the levying of fees and generation of resources from other sources and their utilisation. This might be quite an attractive provision in the bill for the private sector. Given the resource constraints and the government's preference, it is likely that many of the universities, if they come up under this category, will be private ones—domestic or foreign; and the freedom these universities are guaranteed will result in further growth of private education and even a high degree of commercialisation.

But by its very nomenclature, 'research and innovation universities' cannot be expected to be money-generating, while on the other hand they can be expected to be highly investment-intensive, requiring huge investments and a long-term vision. They can generate economic benefits to the individuals who set them up and to society only after a long period of investment. If that is the case and if one takes the nomenclature very seriously, one can argue that it is only the government that can and should take the responsibility of setting up such universities. Neither private nor foreign universities will have long-term vision and long-term interests, and would be willing to make huge investments and wait for a long 'gestation period'. As Altbach (2005) has emphatically stated, 'Only public universities have the potential to be truly world-class institutions.'

Except that they will be fully autonomous, there is no clear indication on how the research and innovation universities will become world-class universities or universities of exceptional quality in terms of research and innovation. The 'promoter', or the Chancellor or vice-chancellor, and most of the members of the Board of Directors are not expected, according to the bill, to be intellectuals, researchers or academics of great standard. The board members are expected to be innovators and industry leaders. It is doubtful whether any grand research vision could be developed in such a set-up to make the university into a world-class one.

An important feature of the bill is the conceiving of the innovation universities as distinct universities with no relation with the other universities and institutions of higher education. Even if all or some of these innovation universities become high-quality research institutions, they will remain as isolated institutions with no impact at all on the rest of the higher education system. A holistic approach to the development of a world-class higher education system in India is manifestly missing.

One of the most important features of the Universities for Research and Innovation Bill is complete autonomy or unbridled freedom for these universities, which may be very dangerous in our system. Universities, not only the research and innovation universities, but also the existing universities, do require autonomy, but autonomy with accountability. The bill places the research and innovation universities beyond the purview of any public body. Given the experience with our private and even public institutions, a reasonable strong mechanism of providing public control is necessary, so that these research and innovation universities are accountable to society.

Thus, quite a few healthy and cherished features of good universities of social democratic societies seem to be missing in the conceptualisation of the research and innovation universities. How can one then expect them to become truly world class?

Concluding Observations

In conclusion, lots of questions still remain in the public policy arena in many countries. Specifically, in India, public policy choices are ambiguous. For valid and not necessarily valid reasons, interest in global rankings is still high among many planners and policymakers in India, which is increasingly globalised. As a first step, India has developed its own system of ranking universities (Government of India 2016), which at a later point may influence the global ranking systems. The bill on research and innovation universities itself is pending in Parliament. What will happen to the bill is not known. In the meanwhile RUSA proposes the creation of research universities. More importantly, it is difficult to guess whether such universities can emerge as really world-class universities that produce 'public goods', rather 'global public goods'. There are some sceptics who feel that India cannot build any world-class university. Altbach (2005: 20) has the answer: 'India cannot build internationally recognised research-oriented universities overnight, but the country *has the key elements in place to begin and sustain the process* ...' (emphasis added). More fundamentally, we are still not clear whether we want to develop world-class universities or not. If we decide in favour of developing such universities, what would be the strategies that would make these institutions help in developing a world-class system, forging close links with other universities and institutions of higher education, instead of their remaining 'islands of excellence amidst a plethora of institutions characterised with a culture of mediocrity' (Tilak 2012). A firm and clear choice has to be made, as it involves a long-term commitment, clear strategy and sustained funding. Lip service will not lead us anywhere. The Government of India has promised a 'detailed scheme' including an 'enabling regulatory architecture' in the 2016–17 Union budget, to be provided to 10 public and 10 private institutions to emerge as world class teaching and research institutions.

Finally, irrespective of global rankings and world-class universities, it is important to recognise the need to substantially improve the quality and standards of higher education in India. A quest for excellence is missing in our higher education policy and practice. A long-term vision for the development of higher education and a coherent plan outlining the effective strategies for development, supported by liberal public investment are critically required for 'the renovation and rejuvenation' of higher education in India (Yahspal Committee 2009). Unfortunately, the government's approach in this regard is also not clear, though of late, it has been making promising statements of reforming higher education in a big way in the near future.

Endnote

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[1] In a letter to the chairman of the UGC, the NKC in 2008 elaborated many points. See http://knowledgecommission.gov.in/downloads/documents/Letter_World_Class_Universities.pdf

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— *fifteen* —

ON THE REJUVENATION OF PUBLIC UNIVERSITIES

Public universities in India, and also in many developing societies, are currently in a shambles, which can be largely attributed to the public apathy for higher education in general and public universities in particular. Public apathy has been a hallmark feature of the last 3–4 decades of educational planning and policymaking in many countries. The public apathy is reflected in a variety of ways, notably in (a) the decline in the relative priority accorded to higher education in terms of public expenditure on higher education as a proportion of total government expenditure or national income and/or in absolute amounts, (b) the stagnation in recruitment of qualified teaching staff, (c) inadequate, ineffective and poor regulation, if not altogether absence of regulation, of the growth in higher education, (d) a plunge in the social status attached to the teaching profession and, above all, (e) the conspicuous absence of any clear and coherent long-term vision and policy on the development of higher education. Many of these features and the trends therein are inter-related and all of them have together contributed to the rapid fall in the quality and standards in higher education. Today, it is widely lamented that few universities in developing nations or, say, no university in India can be regarded as a world-class university, whatever be the understanding of the concept of 'world-class university', or that not a single university among the 700 odd universities India presently has figured in the top 100 universities in any global ranking, though it is also acknowledged that the concept of the world-class university and global rankings is associated with several factors and parameters, which are irrelevant for countries like India. While some probably rightly claim that in terms of more relevant national parameters, at least a few Indian universities would figure very high in any ranking, at the same time, it is to be acknowledged that none of the contemporary universities in India compares with the glory of our own ancient centres of higher learning like Nalanda, Takshashila (also known as Taxila) or Vikramshila. Many doubt the very contribution of universities to the development of societies; some even raise valid questions on the declining values imparted in higher education institutions and some wonder whether the present higher education system is the source of all the ills of society. All this calls for major efforts to rejuvenate our universities.

I wish to make seven propositions in this direction for the rejuvenation of public universities in general and Indian public universities in particular. First, it is important to realise that it is the public higher education that forms the foundation for an equitable, just and humane society. As Antonio García Cubas (1893), a Spanish philosopher from South America observed, 'public education is the foundation of the prosperity of the nation'. Public universities contribute in a noteworthy way to the various facets of development—social, economic, political, cultural and the overall development of societies. Sustainable long-term economic growth critically depends upon the quality and numbers of graduates produced by the higher education system. By providing equitable access to students belonging to different socio-economic strata of society, it is public universities that help in reducing wider social and economic inequalities in the society. Producing visionaries, critical thinkers, leaders and statesmen, public universities constitute the backbone of vibrant and stable democratic societies. By producing philosophers, artists, linguists, writers, poets and nobles, universities contribute significantly to the safeguarding and enriching of the society's cultures. The historical experience of many countries, including India, and the contemporary experience of countries in the West—Western Europe, including Scandinavian Europe, North America and even of some East Asian countries—testifies to this. Exceptions are very few. It is also true that nations with weak public higher education systems have remained backward, intellectually, socially, economically and politically.

Second, the classic model for universities is still the best and most relevant model of developing universities. For example, the University of Nalanda, or the Nalanda *Mahavihara* as it was known at that time, built in the fourth century BC in India and one of the world's first residential universities, was one of the greatest achievements of the ancient period in the field of education. According to available records, it had extensive dormitories, and accommodated over 10,000 students and 2,000 teachers on the campus in its heyday. Considered an architectural masterpiece, the university was enclosed by a lofty wall and had eight separate compounds and 10 temples, several lakes and parks alongside meditation halls and classrooms. The library was a nine-storeyed building where meticulous copies of texts were produced and preserved. Courses of study were drawn from every field of learning—Buddhist and Hindu, sacred and secular, foreign and native. Students studied science, astronomy, medicine and logic as diligently as they applied themselves to metaphysics, philosophy, *Samkhya*, *Yogashastra*, the *Veda*s and the scriptures of Buddhism. They, likewise, studied foreign philosophy too. No wonder, transcending ethnic and national boundaries, the University of Nalanda attracted pupils and scholars from Java, Korea, Japan, China, Tibet, Indonesia, Persia, Turkey and other parts of the globe. Quite a few universities set up in the modern period, in many countries in the eighteenth and nineteenth centuries, also belong to a similar category. Such 'large' universities provide intellectually a rich vibrant and stimulating environment for learning and for the creation and dissemination of knowledge; and yield an immense magnitude of economies of scale, not only in terms of financial gains, but also with respect to several non-financial aspects. Unfortunately, the average size of universities in terms of enrolments in India is presently reported to be around 500–1,000, much less than the size of a good secondary school functioning in the same area. All this suggests the need for the consolidation and merger of many of the 700 odd universities that we have now, in a big and in a systematic way. Certainly, there is no case for 1,500 universities, as suggested by the National Knowledge Commission (2009), in the near future, unless we have a completely different and even distorted understanding of what a university should look like.

Third, universities should necessarily be designed to be universal in character, scope and jurisdiction, with students and faculty drawn from various socio-economic echelons, different cultural backgrounds, diverse ideological milieu, and from various regions of the country and even the globe. Diversity, not just in terms of social groups of students, but also with respect to a variety of aspects, is necessary, so that learning becomes a rich experience in the university. As a simple thumb rule, if I can propose, it can be made compulsory that, say, about 50 per cent of the students and a somewhat higher proportion of faculty in every university be necessarily drawn from states other than the state where the concerned university is located. This will produce a multitude of externalities—better understanding of and respect for various cultures, ability to 'learn to live' together (one of the pillars of knowledge creating institutions, highlighted by the Delors Commission, International Commission on Education for the Twenty-first Century [2006]), contributing immensely to national integration, social harmony, global citizenship, etc. Further, with respect to teachers in universities, it may be necessary to recruit quality teachers from various regions of the country and even other parts of the world, but it may also do good to think of nation-wide (all-India) recruitment of teachers, so that the best talented teachers are recruited, and transfers are allowed across universities within the state / country. This might result in a better regional distribution of talented teaching manpower and, thereby, better production of quality graduates.

Certainly universities should not be viewed as serving mainly the local needs, otherwise they tend to become regional and parochial institutions. By setting up universities in every district and small sub-national local regions for different political and other reasons, we are actually allowing not only the growth of small 'unviable' universities—unviable economically, managerially and academically—but are also allowing them to be parochial, producing close-minded graduates who know little beyond the given district.

Such universities will have limited capacity to produce global citizens, and even citizens with a broad national understanding.

Fourth, it is well known that traditional and well-cherished functions of the universities include production of knowledge through research, dissemination of knowledge through teaching and social responsibility. This means that universities produce brilliant researchers, inspiring teachers and socially responsible citizens. This might require the universities to offer not only high-quality teaching and research programmes, but also provide opportunities for holistic development of the individuals. After all, societies require not only scientists, engineers and technocrats, but also visionaries, critical thinkers and citizens with the highest universal human values. So, every university should offer teaching and research programmes of excellence not only in the areas of management, technology, engineering and the sciences, and other disciplines that are highly valued in the labour markets, but also in the humanities, social sciences and liberal arts. Heavy neglect of the humanities, liberal arts and social sciences in Indian universities, and also in many universities in the advanced and emerging societies, during the last quarter century is widely believed to be the main source of several tribulations being faced by society. Comprehensive universities that offer research and teaching at the undergraduate and postgraduate programmes in a large variety of disciplines form valuable fertile places for the creation of rich knowledge in a grand way.

Fifth, it may be taken up as an emergency programme to launch a programme like 'operation blackboard', according to which a set of minimum requirements for a university to function like a university is identified in terms of faculty members, classrooms, hostels, faculty residences, libraries, laboratories, play grounds, parks, canteens, hospitals, recreational facilities, etc., and also number of departments of study, number of teaching programmes, research studies, etc., and to make a clear time-bound plan to ensure the same in a period of 3–5 years. Currently, infrastructural facilities in a large number of public universities are in appalling conditions in India; facilities for research are non-existent in many state universities; libraries, laboratories, IT facilities, etc., are poor and teacher shortages are acute in all universities including central universities. Regular qualified teachers need to be recruited in adequate numbers and fair faculty-student ratios need to be ensured.

Sixth, I argue that open universities are not effective alternatives for a good formal university. Distance education programmes may be good for skill inculcation and provision of employment-related skills and education and certain other programmes, and they may serve some important purposes as well, nevertheless, they are not good for the creation of knowledge, an essential function of universities; nor do they serve yet another important function of education, namely the socialisation of the youth. In the recent past, to meet the increasing social demand for higher education, and to save scarce public resources and even mobilise additional resources, an increasing emphasis has been laid on developing open universities and offer distance education programmes in conventional universities. But the limitations of these universities and programmes have to be noted, and they certainly should not be viewed as sound substitutes for formal public universities in the long term. They can, at best, be the second-best alternative in the short term.

Lastly, the rejuvenation of our public universities requires sustained liberal State funding, ensuring adequacy, quality, diversity and equity in higher education. It is everyone's knowledge that strong and vibrant universities that provide not only high-quality education, but are also inclusive in nature, are built around the world with generous public funding. Universities are expensive institutions, but the social returns that the society receives in turn outweigh the investments by several times. After all, higher education is a public good, producing externalities of various types and nature over a long period, including over generations. This unique feature provides the single-most important compelling reason for the State to make a long-term firm commitment to the generous funding of universities.

Within the university systems, sizeable resources need to be allocated to enhance quality and excellence in teaching and research, and to scholarship programmes to ensure equity and promote inclusiveness. As a thumb rule, it may be suggested that every university be required to allocate about 10 per cent of its total recurring expenditure to research and another 10 per cent to scholarships. These proportions may be in addition to the research projects funded directly by the UGC and other bodies, and in addition to the fellowships / scholarships offered by the UGC and other bodies.

What I have outlined here are only a few major reforms that are critically needed. In fact, many more reforms are needed. Let me conclude by stating that a coherent long-term policy framework and plan of action is necessary for focusing on reforming and rejuvenating our public universities. It is imperative, and unless we initiate serious action at the earliest to arouse strong passion for public universities among all the dominant actors in universities—the State, politicians, bureaucracy, students, parents, teachers, and society at large—the public university system may totally collapse. Already, as I have warned elsewhere (Tilak 2010) public universities are fast becoming an 'endangered species'.

Endnote

This is a revised version of the inaugural address delivered at the International Seminar on Pathways for Change: Comparative Reflections for Reforms in Public Universities and Higher Education for India', organised by the National University of Educational Planning and Administration, New Delhi (4 March 2016); and a special address delivered at the International Seminar on Rising India, Higher Education and the World Order in the 21st Century, organised by the Association of the Political Scientists Kerala (10 March 2016). I benefited from the observations made by the participants, particularly Davesh Kapur, G. Gopakumar, Manisha Priyam, and Josukutty.

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